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EDITORIAL

As We See It

Sometime during the next two weeks the President is expected to deliver his Annual Budget Message to Congress. It is awaited with rather unusual interest, the situation being what it is at the present time. If the estimates included therein are as wide of the mark this time as they were a year ago, the document will in the end prove to be of little real value, but one can hope that sufficient time has now elapsed to enable the officials at Washington to know both their own minds and their own limitations better than they did last year. Meanwhile, of course, there is the usual crystal-ball-gazing in an effort to learn what the President will have to say. Most specific guesses will be heavily discounted by the informed elements in the public.

Yet there are certain things which may be safely taken for granted. We may be certain, for one thing, that the so-called cash budget will be included with the documents presented by the President, and, equally without question, there will be those who will repeat the old saw that it is this cash budget which bears directly upon the current business situation, and hence is the factor in the situation which the businessman needs to watch most carefully. Of course, this set of estimates of the cash inflow and outflow to and from the Federal Government vis-a-vis the public is important. In a certain sense it does reveal the factors which impinge most directly and immediately upon business activity.

The trouble is that it conceals as well as reveals—or at least it distracts the attention of the uninitiated from some very vital trends of the day. One would suppose that any excess of cash flowing to

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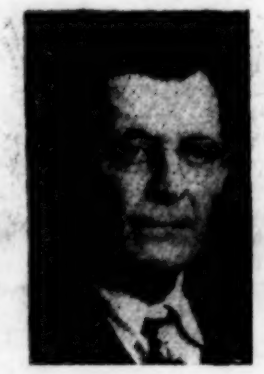
Does Probability Affect Stock Price Movements?

By O. K. BURRELL
Professor of Business Administration, University of Oregon

Professor Burrell after reviewing techniques of stock market forecasting and giving a short critique of Dow Theory describes method he used to determine whether probability plays part in stock market behavior. Concludes from study that "randomness" is not shown in stock market fluctuations, and that human decisions to invest or disinvest must therefore be caused by political, economic and even psychological factors.

Whether there are patterns in stock prices and whether such patterns, if they exist, can be a basis for successfully forecasting stock prices is decidedly a controversial question. The world seems to be full of persons who are willing to attempt forecasts of stock prices on the basis of what has become known as "internal market evidence." Their philosophy is rather well summed up in the expression, "the ticker tells the story." Their reasoning and analyses include such terms as "buying pressure," "selling pressure," "resistance points" and "breakouts." It is not possible here to adequately present this point of view. It is perhaps sufficient to say that it is believed that there are recognizable patterns in stock prices. Probably most followers of this philosophy recognize that the changing world may interrupt stock price patterns. Stock prices may turn down on unexpected adverse news even though the pattern might indicate an upward move. This is to say that even if price patterns exist, it does not necessarily follow that knowledge of such patterns can invariably be the basis for successful stock price forecasting. Such patterns, if they exist, are clearly not simple recurring movements but are based on many



O. K. Burrell

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Outlook for 1952 and Beyond

By MURRAY SHIELDS*
Vice-President and Economist, Bank of the Manhattan Co.

As to 1952, Mr. Shields bases his forecasts on three alternatives, viz: (1) if war should come, there would be a strictly government controlled static economy; (2) if current situation continues, there would be some increase in military production, and a slightly unbalanced Federal Budget, while stock market would be favorable to "blue chip" and "defensive" issues; (3) if 1952 brings peace, there will be readjustment that might result in an old-fashioned depression. In long-term outlook, finds nation's economy will still be vulnerable to drastic fluctuations, unless basic policies are changed.

I. The Outlook for 1952

It has been the custom at these "outlook luncheons" for the speakers to present a number of concise and more or less precise predictions of economic things to come in the following year. Therefore, if you will permit me the luxury of three "ifs," I shall offer for your consideration a series of conjectures as to what may happen in 1952. The "ifs" are essential because the short-range outlook is dominated by a dangerous and volatile international situation which has introduced massive new elements of uncertainty into our economy.

First: IF there were to be an outbreak of all-out war in 1952, we would immediately impose on the entire structure of our economy a much tighter and much more comprehensive set of controls than anyone even thought of in World War II. For individuals, there would be little or no freedom in the sale of their services or in the disposition of their incomes. For corporations, the entire range of policies as to prices, production and finance would be under minute government administration. The unions would

Murray Shields

*An address by Mr. Shields before the Business Outlook Luncheon of the American Statistical Association, Boston, Mass., Dec. 28, 1951.

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ANNUAL REVIEW AND OUTLOOK ISSUE—The "Chronicle's" Annual Review and Outlook Issue will be published on Jan. 17 and, as in former years, will include the personal views of leaders in Industry, Trade and Finance on the outlook for their businesses and the nation's economy in general during 1952.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

JOHN P. MURRAY
Investment Management,
Boston, Mass.

United Shoe Machinery

At this stage of the business and stock market cycle, it is altogether likely that those who invest, or speculate, in securities holding minimum risks will, over the next year or so, fare much better than those who are now assuming substantial risks in the expectation of large percentage profits.

John P. Murray

It is on this basis that United Shoe Machinery is currently suggested as "The Security I Like Best."

The company serves a consumer industry with relatively stable demand, which industry is currently deflated, with the stock available at approximately the lowest level for many years past, and offering a return of approximately 6%, at around 42, on the basis of the $2.50 dividend which has been the minimum payment going back as far as 1924.

With 1951 shoe production estimated at 11% below the record level of 1950, and with 1951 having been the first year since 1934 when people bought less than three pairs of shoes per capita, there is obviously basis for improvement this year, aided by the fact that at the present time shoe prices are now approximately 10% lower than in mid-1951.

United Shoe Machinery Corp. is the world's largest manufacturer and lessor of shoe making and repairing machinery. Also, directly and through subsidiaries, it manufactures a large variety of articles used in the manufacture of shoes, such as eyelets, nails, tacks, brushes, dyes, etc.

The company is in excellent financial position. The latest available balance sheet, at the close of the fiscal year ended Feb. 28, 1951, showed cash and marketable securities approximating $20,198,000 against current liabilities of $14,187,000. Net working capital amounted to $18,288,000.

Capitalization is conservative, consisting of $6,252,000 of noncallable 6% preferred stock ($25 par value) followed by 2,313,885 shares of common stock.

Inasmuch as a large portion of the company's income is derived from the rental of machinery, earnings are relatively stable.

For the year ended Feb. 28, 1951, earnings as reported amounted to $3.17 a share, against $2.58 in the preceding year. In 1949, $3.31 was earned; in 1948, $3.62; in 1947, $3.65, and in 1946, $3.13 a share.

The company was slow to take steps to offset the postwar inflation, but increased machinery rentals 15% to 20% in 1947, with another increase following in 1950. However, the effect of these increases on earnings is only gradual as leases—some of which run as long as 10 years—expire and are renewed. Improvement from such higher rentals should, however, be steady and, in addition, it is expected that earnings of several million dollars annually will ultimately be obtained from increased use of new and markedly improved tanning machinery which was only recently introduced by the company.

Real earning power is higher than indicated by the above stated per share earnings, inasmuch as the company includes in its income account only dividends and not undistributed earning power of foreign subsidiaries.

Over the last few years, it has been unable to draw down earnings of its foreign subsidiaries on a normal basis. Although foreign earnings, largely from the British Empire countries, declined less than 25% over recent years, dividend payments to the parent company are down more than 40%. The following table covering the earnings and dividends paid by foreign subsidiaries during the last few years shows this clearly.

Foreign Subsidiaries' Earnings and Dividends Years Ended February

Years—	Earnings	Dividends
1951	$3,396,000	$1,513,000
1950	3,126,000	1,830,000
1949	4,575,000	1,887,000
1948	4,732,000	2,258,000
1947	4,485,000	2,622,000

This reduction in such dividends received from foreign subsidiaries is traceable of course to foreign exchange difficulties which obviously, from a long-range standpoint, should not be considered permanent.

Because of shrinking receipts from foreign operations, the company found it necessary to reduce dividends. The stock is now on a $2.50 annual basis. In 1949, however, an extra of 37½ cents a share was paid, and in the preceding two years extras of $1 a share. From 1943 to 1946, inclusive, dividends were $3.12½ annually. Over the past 20 years, dividends have averaged $3.55 annually.

Over the last few years, the company has had an additional handicap in that the government has been suing it as a monopoly, attempting to force the company to sell rather than lease its machinery to shoe manufacturers and repairers.

As far as the ultimate value of the stock is concerned, there should be no cause for concern in regard to this suit of the government. Should the company be forced to sell rather than lease machinery, it is our opinion that the stock would be worth considerably more than present selling prices. Further, should it be forced to divest itself of some of its subsidiaries, that too would likely lead to increased, rather than decreased, value for the stock. That has been the history of all such breaking-up of monopoly-type companies going back as far as American Tobacco and the old Standard Oil—the component parts were subsequently worth measurably more than the whole.

Under these developments—temporary in character—the stock has experienced a marked decline. In 1946, it sold around 85 or more than twice present levels. It is now lower than at the bottom of the bear market of 1941-1942 when its lowest price was around 45. In 1937, it sold around 96 and its low under the bear market of 1938, when the Dow-Jones industrials were less than one-half the present level, was around 50.

At present levels of around 42, traded on the New York Curb, the stock offers a return approximating 6% on the basis of the $2.50 dividend, which we believe logically can be considered a minimum—the same amount ($2.50) was paid in each of the two major depression years, 1932-1933. Some dividend has been paid in each year since the formation of the present company in 1905.

This Week's Forum Participants and Their Selections

United Shoe Machinery—John P. Murray, Investment Management, Boston, Mass. (Page 2)

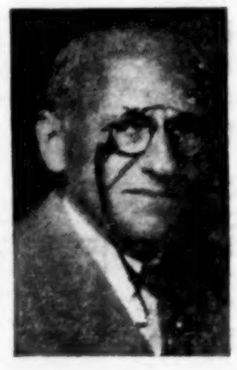
Mathieson Chemical Corporation Convertible Preferred — Theodore Prince, Investment Counsel, LL.M., N. Y. City (Page 2)

Selected List of Low-Priced Stocks —Bradbury K. Thurlow, Partner, Talmage & Co., New York City. (Page 42)

THEODORE PRINCE
Investment Counsel, LL. M.,
New York City

Mathieson Chemical Corporation Convertible Preferred

The security that I believe has the best promise for a substantial growth appreciation and the soundest basis for a protective equity investment is the new issue of 180,000 shares of the Mathieson Chemical Corporation 4¼% convertible preferred now selling around $104 a share, which is convertible into the common stock (now selling at $44½) at $50 a share. The preferred is redeemable at $103 to Dec. 1, 1956 and at $102 thereafter at set serial dates, and lower prices.



Theodore Prince

The company has $42 million 3½% notes due serially from Dec. 1, 1952 to 1969. Its outstanding common stock is 3,142,754 shares. In December, 1951 the company adopted a plan for retiring 23,777 shares of non-redeemable 7% preferred. This changed set-up is but another achievement of the aggressive and progressive management which assumed control of the company in 1948 and initiated a policy of research and diversification and expansion through acquisition of other companies.

A brief statement of the company and its developments follows:

This company was incorporated in 1892 and became a producer of alkalis, from which it has broadened and amplified its manufacturing into a multiple of products including ammonia chloride, caustic soda, soda ash, bicarbonate of soda and other alkali specialities such as dry ice, carbonic gas, hypochlorite products, sodium methylate, sodium chloride and other alkali products; all of these are important products and supply a wide range of all applications in which alkalis form an important base, which include agriculture, aircraft, beverage, chemical disinfectant, explosives, fertilizers, iron and steel, machine tool, paint and varnish, pharmaceutical, rubber, sewage disposal, storage batteries, textiles, water purification and woolens.

In 1949 the company acquired the Standard Wholesale Phosphate and Acid Works, Inc. and the Southern Acid and Sulphur Inc. This enabled the company to be-

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A Humanitarian and Liberal Program for the Republican Party

By HAROLD E. STASSEN*
Former Governor of Minnesota
President, University of Pennsylvania

In announcing his candidacy for GOP Presidential nomination, Mr. Stassen lists as his platform planks: (1) restoration of old-fashioned honesty in officials of nation; (2) encouragement of high moral standards in religion, and aid to education; (3) establishment of sound and stable currency "on a modern gold standard"; (4) cut of wastes in government; (5) keeping taxation within "incentive" limits; (6) easing of strife between capital and labor by encouragement of voluntary profit-sharing; (7) an "excellent income" for farmers, and (8) a firm foreign policy with definite, outspoken objectives.

We meet tonight in the historic city of Philadelphia where nearly two centuries ago our forefathers made decisions of tremendous significance. We meet tonight at the threshold of the new year — 1952. This is the year during which the American people will make the far-reaching decisions of their national leadership and of the policies and program of our country.

Harold E. Stassen

The world tragedies of recent years, the cruel communist oppression today over one third of the people of the earth, and the apparent dangers now before our nation indicate that the decisions of America in 1952 may well be as significant as those taken in this city at our nation's birth.

Thus it has been with a deep sense of humility that I have considered long and prayerfully what answer I should give to the question of what part I will take in this year of decision of 1952.

Many of the men and women now gathered in this room, and others in the nation, have urged that I give my approval to the presentation of my name in the various Republican primaries and conventions as a candidate for President.

I have promised an answer before the first of the year. It is not an easy answer to give.

I have sought with humility the guidance and the information and the understanding of what we as a nation should do, and what I as an individual should do.

The answer now seems clear. I will present to the people the policies and program which I fervently believe that America should adopt in 1952, and I will give my approval, on that platform, for the presentation of my name as a candidate for President.

I do so because of my sincere belief in the soundness and the urgency of the program for the country which I will present, and because of my conclusion that there is no other way to give the people an opportunity to decide upon that program.

A Humanitarian and Liberal Program

It is a humanitarian and liberal program. It is different from the Republican programs of recent years. It is large in its implications. But from extended study, and the advice of many outstanding men and women, and the counsel of leading authorities, I am convinced it is sound, it is desirable, it is urgently needed for your best future and that of your children in America.

It is the program which, with the cooperation of Congress, and the help of the people, I would carry out if elected as your President.

Let me first give the broad background of my platform and then fill in specific details.

I love America. I cherish its way of life as established by our forefathers, who gave emphasis to freedom and happiness and trust in God. I have deep affection for its farms and for its cities. I have reverence for its traditions and its form of government.

I am an enthusiastic believer in the American way of life and in the economic and social, religious and cultural, freedom on which that way of life is built.

I have a deep and abiding faith that the underlying beliefs of America which make man believe in man and revere God are right and eternal.

Thus, as President, I would devote myself above all to the future happiness and well-being of the American people under that way of life.

As I see it, there are today four principal threats to that future American happiness and well-being:

First: The dangers that always flow from a low moral standard in a nation's capital, from corruption in high places, from venal conniving among leaders, and from crass cupidity among administrators.

Second: The menace that our money will be inflated, that it will be debased until our dollar is so cheap that the people will lose confidence in its future worth and value.

Third: The threat of internal strife, that groups within America may become so bitter toward each other that by their clashes they pull down and injure each other

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*An address by Mr. Stassen at dinner given by The Friends of Stassen Committee, Philadelphia, Pa., Dec. 27, 1951.

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Investment Impact of Pension Fund Accumulations

By ROGER F. MURRAY*
Vice-President, Bankers Trust Company, New York

Mr. Murray surveys rapid growth of industrial pension funds and problems of their investment. Points out accounting and reserve policies applicable to pension trusts have important bearing on their investment activities, and criticizes Treasury's failure to recognize validity of loss reserve accumulated from income or capital gains. Gives data on types of investments made by pension funds and notes general lack of uniform portfolio pattern. Though stating pension fund investments may be factor in stable security prices, maintains they have little influence on short or intermediate swings.

Although large industrial pension plans have been operating for many years, the rate of growth was greatly accelerated by the decision on September 10, 1949, of the Steel Industry Board. The Board disapproved a direct increase in wages but commended very highly the establishment of private pension plans to supplement the Federal Old Age and Survivors Insurance System. From this decision can be dated the future spread of pension provisions to large numbers of hourly paid industrial workers who had not been covered previously.

Roger F. Murray

It appears that the regular rate of annual additions to insured and trusteed pension plans is running at about $1,800 million. Around $800 million of this amount is available for investment in life insurance companies under insured plans and the balance of about $1 billion is being accumulated under trusteed plans. Actually, additions to trusteed plans will probably run somewhat higher than the regular rate for the year 1951 because, in a period of high profits and high taxes, industrial corporations are inclined to accelerate the funding of past service liabilities. A number of the new negotiated plans call for the freezing of past service liabilities or their funding over a 30-year period, but it is possible to pay in up to 10% of the past service liability in any one year and to take it as a deduction for income tax purposes. There is, therefore, a considerable area for the exercise of managerial discretion each year. In 1951 or 1952, for example, net additions to trusteed plans could amount to as much as $1,200 million.

It is important to observe that most industrial pension contributions are comparatively stable, showing only moderate variations from year to year. Fluctuations in employment are a factor, although not as important as might be supposed. The bulk of the cost is for older employees who have acquired seniority rights which protect them in periods of declining employment. The extent of funding, however, is often not fixed by contract and some companies may have exceeded required payments in previous years. As a result, the level of contributions may be susceptible to reduction in poor business years. This would be an offset to the volume of contributions, expected to be 15% to 20% above current minimums in a good year like 1951.

The pension contributions made to life insurance companies are, of course, mingled with all other funds for investment purposes. The significance of the expansion in insured plans is simply that the growth of these institutions has been further increased. The new and more interesting field for study is the rapidly growing volume of trusteed pension funds. My remarks, therefore, will be addressed exclusively to the investment policies and their impact on the securities markets originating in the administration of pension funds by trustees.

The Influence of Accounting Practices on Investment Policy

The accounting and reserve policies applicable to pension trusts have an important bearing on their investment activities. In general, fixed income securities are carried at amortized cost and all other investments at cost for purposes of determining the funds on hand to discharge pension liabilities. The rate of return earned on the book value of these assets is composed of the interest and dividends collected minus amortization of bond premiums, plus the accural of discounts, and plus or minus *realized* capital gains and losses. This rate of return over a period of years, of course, determines the size of the capital fund required. The Treasury Department has not recognized up to the present time the validity of any loss reserve which might be accumulated out of income or out of realized capital gains. As a consequence, under one of the most common methods of funding, the tendency is for a trust to show capital gains and a good earnings rate in the years when the company can best afford to make large contributions, and perhaps to show the need for larger contributions by reason of losses in years when the company may be least anxious to supplement its regular payments. However, losses may be spread over a period of years under certain other funding methods.

The field of mortgage lending provides a good illustration of how these accounting questions affect investment policy. It has been repeatedly demonstrated that the sound procedure in managing a portfolio of real estate loans is to set aside a regular reserve for losses out of current income and in that way to stabilize experience between good and bad years. Under present accounting principles for tax purposes this would not be possible, and, as a consequence, conventional mortgage loans become considerably less attractive for pension trust investment purposes.

Also, if yield differentials are adequate, experience shows that a portfolio of lesser quality corporate bonds will make a good showing over a period of years. However, in order to equalize investment experience it is necessary to accumulate a reserve for losses out of income. In the case of preferred and common stocks, a somewhat similar problem arises. Capital gains accumulated in a long period of rising stock prices, as well as a portion of the income in excess of corporate bond yields, ought to be available as a reserve. In practice, however, the only kind of an investment experience reserve or cushion which can be accumulated is in the form of unrealized appreciation in the portfolio. This does not mean, of course, that a general reserve for the fund cannot be created by conservative interest and mortality assumptions.

Types of Investments Made by Pension Trusts

There is nothing fixed about the pattern of pension trust investments. There are no general legal restrictions; each trust agreement can incorporate its own kinds of investment provisions and can be amended to suit changing conditions. The attitude of the individual company is most important in establishing broad policies for its fund. One of the great advantages of these funds is their flexibility and the possibilities which exist for changing policies radically in the light of new opportunities, yield relationships, and the supply situation for various types of securities. In most funds, there is no need for liquidity. There is no problem of publishing a balance sheet or showing a certain surplus position on a specified date. The emphasis is much less on the results for a single year and much more on experience during the life of the fund. This means that true long-range objectives can be pursued without any great attention being paid to temporary market conditions.

As a consequence of accounting and reserve considerations, however, many companies prefer to have stability and regularity of income emphasized in their pension trusts even though this policy may involve accepting a lower rate of return. The proportion of common stocks, for example, may be set at a lower figure for this reason. It is also highly desirable to avoid the effects of unfortunate timing by distributing new investments over sufficiently long periods of time to afford opportunities to make commitments under diverse economic conditions. This latter objective is comparatively easy to accomplish because the flow of new money facilitates orderly portfolio adjustments.

Although there are no statistics on how pension trusts are being invested, it is a fair generalization to state that the bulk of the funds are going into corporate bonds, preferred stocks, and common stocks of high average quality. In our own investing activities, we think in terms of 70% to 75% in bonds and 25% to 30% in common stocks. It has been said that the typical pension trust diversification shows 60% in bonds, largely corporate obligations, 15% in preferred stocks, and 25% in common stocks. Real estate mortgages are a negligible factor. A portion of the common stock portfolio, it is said, is usually devoted to defensive type equities such as bank, insurance, and public utility operating company stocks. There are no statistics to support this statement of typical diversification, and I suspect that it may be more of a theoretical pattern than a representation of the most frequently adopted investment program. Some funds are now investing a higher proportion of their current additions in common stocks, but others are waiting for lower prices, and some very important trusts exclude equities from their authorized fields of investment.

There are a few cases where a radically different investment policy is pursued, such as heavy investments in individual enterprises, large use of sale-leaseback arrangements, oil production royalty agreements, etc., but the bulk of the funds invested undoubtedly are in the field of corporate securities. The tendency has been for companies to avoid investments in their own securities partly as a matter of sound financial policy and partly because the Treasury Department has imposed certain requirements on the investment in such securities. It is clearly intended that a company's pension fund shall not serve as a captive source of new capital for its operations.

Currently equity securities, including both preferred and common stocks, represent not more than one-quarter or one-third of net new corporate issues. In all probability, pension trusts directly and indirectly are supplying somewhat less than this proportion of the new equity capital and are acquiring relatively more of the corporate debt. We estimate that during the current year common stock purchases may have been in the neighborhood of $200 million, which would approximate one-sixth of the net additions to trusteed plans. The stock purchased in the great majority of cases are, of course, those which are commonly accepted as "prudent man" issues. These are shares of companies having established positions in their industries and records of fairly regular earnings and dividends. There are not excluded, of course, relatively new companies which have demonstrated their ability to compete successfully, nor are strong companies excluded simply because their securities are reaching public markets for the first time.

Some interesting and difficult problems arise in making individual stock selections. Current income is quite a factor in helping the fund to grow during the accumulation period, but it is shortsighted to be so insistent on immediate return that attractive growth situations are ignored simply because the dividend outlook is not very rewarding for a few years. A thoughtful appraisal of industry characteristics, management, and research programs is essential. Close supervision is also required to detect basic changes. These aspects of investment analysis are not peculiar to pension trusts; but the rewards for good selection are great because both principal and income count in the results and because experience is sufficiently prolonged to give a full reflection of the judgment and skill applied.

In the bond category, there is also a tendency to acquire the obligations of strong companies with established records of performance. Pension trusts join with life insurance companies on large direct placements and make many direct long-term loans by themselves. In general, the pension trustee prefers to have at least one partner in these direct placements in order to provide some external evidence that the terms are in line with existing market conditions. The principal reason why direct loans to enterprises of modest resources are not attempted is because of the previously mentioned difficulty of equalizing investment experience through the use of appropriate provision for losses from the higher rate of return obtainable. This kind of activity may develop, however, because for the first time in more than a decade the pattern of yields gives some real reflection of differentials in marketability and credit standing. During the period of extremely easy money there was little incentive or reward for undertaking additional supervisory costs and credit risks for the nominal yield differential which existed.

The Impact of Pension Trust Activities on Capital Markets

Pension trusts do not adopt rigid diversification programs requiring set proportions of the bond account to be represented by government, public utility, railroad, and industrial issues. There is a tendency for funds to flow where the demand is greatest, provided, of course, quality is satisfactory. In this sense, pension trusts can be considered an equalizing factor in the capital markets. This can be illustrated from the experience of the past decade. During the war years when corporate bond yields were comparatively low.

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*A paper by Mr. Murray presented to the American Finance Association, in joint session with American Association of University Teachers of Insurance, Boston, Mass., Dec. 27, 1951.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

With the closing of many plants in observance of Christmas, over-all industrial output the past week gave evidence of some slight slackening. When compared with the like period a year ago, however, it continued to run at a moderately higher level. It was further noted that while lay-offs occurred in some sections of the country, total unemployment held well under the level of a year earlier.

Employment, it is predicted, according to Robert C. Goodwin, director of the Bureau of Employment Security, will set a new high of 63,000,000 as compared with the present record of 62,600,000 reached last August. Unemployment will continue low, perhaps even below this year, Mr. Goodwin predicted. But, he added, some local areas will have "troublesome unemployment problems."

In the steel industry, observance of Christmas caused steel-making operations to slump 3½ points last week to 101.4% of capacity, or equivalent to 2,027,000 tons. A year ago production stood at 100.1%, or 1,930,600 tons. The past week electric energy distributed by the electric light and power industry broke through its historical high level for the second consecutive week.

Steel production in the United States during 1951 was nearly equal to the combined output of all the other countries of the world, according to "The Iron Age," national metalworking weekly. American steel companies produced 105.2 million net tons of steel ingots and castings last year, compared with total world output of 224.7 million net tons. U. S. output was more than three times the total of the Soviet Union and when satellite countries and U. S. allies are included, the weight of steel production is even more heavily in favor of the free world.

Last year's production in this country was 8.4 million tons higher than the previous year. Russian output gained 4.5 million tons over 1950. Production in both countries bettered all previous records, the above trade authority reports.

The United Kingdom ranked third in steel production last year with 17.6 million net tons, although this was half a million tons less than it made in 1950. Fourth largest producer was Western Germany, with 14.2 million tons, a gain of almost a million tons. France ranked fifth with 10.7 million tons, more than a million tons higher than the previous year.

Total world steel output of 224.7 million net tons in 1951, was more than 20 million tons above the previous record high of 1950. Marshall Plan assistance is credited with helping boost production sharply in Western European countries, "The Iron Age" points out.

During 1952 American steel companies should be able to turn out 112.5 million tons, if needed. By 1953 as much as 117 to 118 million tons could be produced. But labor trouble or scrap shortages could upset these potentials.

Steel expansion in this country last year spurted 2.5 million tons toward the government goal of 123 million tons of annual capacity of 1954. The increase brings total capacity at the beginning of this year to about 107 million tons per year. In the first half of 1952, the industry expects to add another 6.5 million tons. The expansion time-table is slated to bring in another 4 million tons of new capacity in the last half of the year and 2 million tons more in 1953. Sometime in 1953 the industry expects its total annual capacity to reach 120 million tons, this trade weekly notes.

During 1952, steel producers will stand on their production and expansion records in agitating for relaxing of complete government control over steel distribution through the Controlled Materials Plan.

Although a special convention of the United Steelworkers at Atlantic City, Thursday, was expected to vote to continue at work while the steel dispute is referred to the Wage Stabilization Board, a very grave threat of strike still exists, concludes "The Iron Age."

Steel Output Scheduled at 102% of Capacity In Latest Week

Holiday lull in metalworking operations eased demand pressure on the steel mills in the closing week of 1951, says "Steel,"

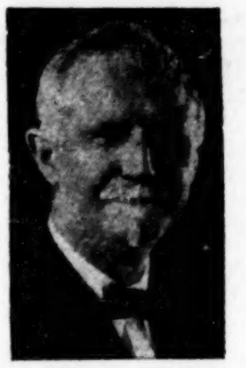
Continued on page 29

Is There An Inflation Bugaboo?

By ROGER W. BABSON

Asserting investors and others are now going crazy over "inflation," Mr. Babson warns against getting people scared, since the dollar is fully as likely to hold its own and perhaps become more valuable. Gives as reasons for advising holding larger bank accounts: (1) to have cash available for bargains in stocks and merchandise; (2) to properly diversify one's securities, and (3) to have funds to pay estate taxes in case of death.

Investors and others are now going crazy over "inflation." Brokers and merchants are saying that the dollar will become of little value. It would have been sensible to talk this way in the '30s; but then no one could interest people in inflation. Most people usually act at the wrong time about everything.



Roger W. Babson

Brokers make their living by selling stocks, and some have found that the easiest way to sell stocks today is to get people scared about inflation. The idea is that as the dollar decreases in value the price of stocks should increase. This may or may not be true—but the real question is whether the dollar will further decrease in value during the next few years. The dollar is fully as likely to hold its own or perhaps become more valuable.

Since the Korean War broke out, the country has been on a spending spree. People have been urged to buy houses, refrigerators, washing machines, and even furniture, with the idea that money invested in "real things" is safer than money in the bank. This might be true if we can agree on what "real things" are. With the constantly increasing new inventions and changing styles, the only "real thing" is good land, properly located near growing communities. It would be a good thing if the banks would unite to sell cash as the dealers organize to sell cars.

History of Inflation

Inflation has nearly always been with us. From the earliest days, when kings increased their spending money by clipping a little gold or silver off the coinage, inflation has been going on. It is true that, in terms of 1935-39 values, the dollar is now worth only 54 cents, compared with 104 cents in 1934; but in 1926 the dollar was worth only 79 cents, after which it came back satisfactorily to the above-mentioned 104 cents. During all these centuries the business cycle has gone on just the same, irrespective of inflation.

There are several reasons for having larger bank accounts: (1) To have cash on hand to take advantage of the bargains in stocks and merchandise when the next crash comes; and it surely is coming some day. (2) To properly diversify one's securities. Bank deposits should be considered an investment, the same as stocks or

Continued on page 8

Observations . . .

By A. WILFRED MAY

Aid for the Logical Investor

Although technically merely a "revision" of two previous editions which appeared in 1934 and 1940, the currently-published third edition of Graham and Dodd's "Security Analysis" has actually been rewritten to an extent warranting its consideration as a new book **(SECURITY ANALYSIS, by Benjamin Graham and David L. Dodd, with the collaboration of Charles Tatham, Jr. Third edition. 770 pp. New York. McGraw-Hill. $8)**

A. Wilfred May

Furthermore the scope of the ground covered has been so broadende that the title is misleading. Suited to all readers who have a serious interest in finance generally as well as to students of the narrower details of specific investing problems, this book not only covers in minute detail such matters as methods of analyzing and selecting individual issues, discovering bargain issues, and on setting up sound and workable tests of safety; but also deals with broad investing policies; pervasively distinguishes the investment from the speculative approach and fully discusses the moral rights of the investor—the material on stockholder-management relations being expanded into a full division of the 700-page book—and even cites attending "external" economic elements as inflation.

The overall approach is critical rather than descriptive.

The Authors

This breadth of treatment, as well as constant seasoning with financial philosophy, are guaranteed by the identity of the authors. Benjamin Graham, the "senior author," uniquely combines a lifetime of first-hand experience in both the business and academic phases of investment. Not only has he won wide recognition as an exceptionally intelligible author and as a stimulating teacher in the field over the years (he is an associate of the faculty of the Columbia University School of Business). He has also at the same time been dealing with hard-boiled money-making problems as President of an investment company whose activities include the direct operation of businesses. His services in appraisal and valuation have been widely enlisted by government and private interests.

Co-author on this team through the three editions has been David L. Dodd, long-time but youthful and keen Professor of Finance and Associate Dean of Columbia's Graduate School of Business.

And with this edition there is added the collaboration of Charles Tatham, Jr., Vice-President, Institutional Utility Service, Inc., who contributes chapters on analysis of public utility common stocks.

The Coverage

The monumental work covers in detail the nature and sources of the security analysts' available information; the various quantitative and qualitative factors in security analysis; analysis of the income account, with full attention given to the matter of depreciation and the various kinds of reserves; balance-sheet analysis; interpretations of the financial data; analysis of specific industries,

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The Business Outlook in The Defense Economy

By A. W. ZELOMEK*
Economist, International Statistical Bureau, Inc.

Economist predicts 1952 will see high business activity with only minor fluctuations in prices and production. Expects ample overall supply of consumers goods, with possible periodic overstocking and inventory liquidation. Stresses importance of international factors, on premise they will guarantee continued heavy spending.

I have noted some uncertainty about the business outlook among many of my business friends and can readily understand their attitude. These men are experts at running their own business. They well realize that their own sales and profits are influenced by outside developments. In the past, they have come to think in broad economic terms, as what might be called "background activity." Now, however, so many of these general economic factors, these outside developments that are so important internally to every business, are influenced by international developments of a political nature.

A. W. Zelomek

I do not mean to imply that my friends in the business world have never been interested in international political developments, in earlier periods. There is a limit to their time and energy, however, and, as these factors have become more important, it has been difficult for these men, within a short period of time, to develop the same feeling of confidence in their judgment and opinion as they have in other fields.

I am going to state an unqualified conclusion for you right now, so that you can be thinking of any objections you may have while I defend it during the next half hour or so.

A Good Year in 1952

My conclusion about the business outlook in the defense economy is that 1952 will be a good year, of high level activity, with much greater stability in price and production indexes than we had in 1950 or in 1951.

*An address delivered before the American Management Association, New York City, November 30, 1951.

There is no call for me to go beyond 1952; but I will add at this point my own conviction that it is very difficult indeed to see anything that would bring about a serious recession in business activity even in 1953.

I am not depending on the outbreak of a major war in reaching these conclusions. I am not suggesting that there will be general shortages; that we will have speculative buying as we did after the invasion of Korea; that inflationary forces will get beyond control; or that there will not continue to be price fluctuations, which will be of interest and concern to the purchasing agent.

What I am saying in effect is that it is much easier now than it has been in most past years to look ahead, not merely for six months, but for a year or even two years, and actually count up the tangible factors that are bound to translate themselves into a high level of production, employment, national income and business activity.

I am not, of course, telling you that I am bound to be correct in my opinions and views. I am merely telling you that I am much less likely to be wrong than I would be if I could not count on certain levels of government spending.

International Developments

It is quite obvious that I do not expect the planned expansion in defense spending to be called off or cut back. It is inconceivable to me that this could happen. The only way I can defend this viewpoint, however, is to state my opinion on the international situation.

Russia is the key to future developments. I think we should be very realistic about Russia, and about prospects in the international field.

Right now there seems to be a recurrence of so-called official optimism, if not about reaching agreements with Russia at least that Russia will be less aggressive. I doubt very much whether this is justified.

We must consider Russia's serious internal problems and the influence these have on the ruling group. There is constant pressure to increase production, expand capacity and strengthen the country. This means that hardship after hardship has to be piled on the population, first on industrial workers and then on the peasants. The economies of satellite countries have already been milked, and there are no big gains to be made from this source which might ease the internal pressures. It is not surprising, therefore, that internal propaganda constantly stresses hatred of the West, the warlike intentions of the West, and the need for greater internal efforts.

What does the ruling group in Russia really think? Many people claim they believe that the United States will attack Russia sooner or later. I'm inclined to think that this belief probably does exist. It is a mistaken belief, of course, but the question is not whether it is true, but whether it is actually believed.

Meantime, other problems that we have in Europe are also increasing in seriousness and intensity. The Atlantic Alliance is far from a reality in any effective military sense; the economic position of Western European countries is deteriorating rapidly and steadily; and there is growing talk in these countries of a position of neutrality and of cutbacks in the defense program that has not really even gotten under way.

Meanwhile, in Korea, actual fighting shows some deficiences in our equipment. It is reported, for example, that jet fighters, to be fully effective, need much heavier armament than they have at the moment.

I do not see anything in any of these considerations to cause any optimism about peaceful settlements.

I don't deny the possibility of some sort of cease-fire in Korea, but I don't regard this as an essential point. I do believe that 1952 will be a very critical year, like 1950 was, in the international sphere. Rather than defense spending being cut back, I am pretty well convinced that it will at least meet present schedules and probably grow larger.

Defense Spending

Under defense spending, we must talk about facts and prospects.

I don't know whether you know what defense spending is. Actually there are three phases.

First, the Congress of the United States has to provide the money.

Once an appropriation has been voted, spending power passes out of the hands of Congress. It passes into the hands of the military organizations, which place the orders.

Finally, as defense items are delivered, payments are made.

Now I must point out as a matter of realism that any government organization which has money makes every effort to spend it. No organization will risk carrying over uncommitted portions into a new fiscal year, when Congress might again be able to veto the spending power.

The government organizations use the word "obligation" for the act of promising to pay for orders placed.

In other words, the defense organizations usually obligate themselves in any given fiscal year for most of their authorizations or appropriations.

At this point we must consider the difference between new orders and actual payments for materials delivered. All of you are businessmen, and you know that when a flood of new orders comes into the market it has a very stimulating effect on both prices and psychology. This is as true of government orders as it is of business orders.

In both cases actual payments may be made some months later. In the case of government spending, there is sometimes a bigger delay than there is for most types of civilian goods. The defense establishments, for example, may order five or ten thousand airplanes tomorrow, and not begin paying for them until a year and a half or two years hence.

On the other hand, they can come into the market and order food products or textiles, with very early delivery specified, in which case the lag is small.

What are the facts about expenditures for defense department military functions?

As they line up at the moment, the defense establishments still have a lot of money to spend. Budget expenditures in the fiscal year 1951 were less than $20 billion. Funds available, however, were about $57 billion. Actual expenditures in fiscal 1952, consequently, will show a very sharp increase, to about $40 billion.

Meanwhile Congress has already appropriated more money, and $40 billion of actual spending in the present fiscal year will be less than half of the total funds available. There will be a carryover of spending power into the next fiscal year of close to $60 billion. We can look forward, therefore, to a defense spending in fiscal 1953 of about $55 billion, if there is no change in present schedules.

However, we have all begun to see notices in the paper regarding the increase in the number of air groups. It is being pointed out that quick action will be necessary on spending authority, if Congress wants the number of air groups to be substantially increased by 1954. I'm inclined to think that Congress will want such an increase when it comes back after New Year's. If it does, there will have to be fairly substantial supplementary appropriations.

If such appropriations are made, I think it is safe to assume that orders will be placed between now and June for a substantially greater number of aircraft. What this means is that actual budget expenditures in fiscal 1953, and particularly 1954, will be higher, rather than lower, than now estimated.

Taxes and Domestic Politics

Defense spending, of course, is the reason for higher taxes. We have already seen the inroads that a higher tax structure is beginning to make on corporation profits.

Next year, however, is an election year. It seems a little doubtful to me that further increases in taxes will be voted next year, barring some very serious new development abroad.

The rising level of defense spending, therefore, will have the added effect of causing a Federal deficit and a further increase in the money supply. Such a result is at least mildly inflationary.

The fact that next year is a Presidential year may also influence government spending policies during the summer. There is always some leeway on the timing of new workers. Since any administration likes to have good business at election time, we may find some bunching of new orders or of government spending in the pre-election period.

I have talked a great deal so far about international conditions. It is time now to begin to draw some practical implications.

The one thing that is a safe bet is that, for the next 12 months, actual defense production is going to continue in an upward trend.

This means a high level of employment. It means, in fact, that many plants will have to recruit labor. Wage demands will be hard to refuse and the Wage Stabilization Board has made it plain that it will not fully stabilize wages. Production costs, wage rates, income and probably prices, will be influenced.

Some of the shortages that were supposed to be critical in 1951 will actually become critical within the next few months.

I have had the privilege recently of going through several industrial plants. I found in all cases that their warehouses were filled with partially finished machinery awaiting shipment but held up because there were some parts still missing. Two or three months ago there was a shortage of some parts, but this has become more acute. Bearings are hard to obtain. Stainless steel, or anything involving nickel or bronze, or some of the cold-rolled steel products, have become increasingly scarce within the past few months. Used machine tools are already being sold at prices substantially above the level for new machine tools, which cannot be obtained for quick delivery.

If any of you will check the inventory reports, you will see a verification of the comments I have just made.

Retailers' stocks have been going down.

Wholesalers' stocks have been going down.

Manufacturers' inventories of finished goods have increased slightly, but not by any very large amount. Their stocks of finished and semi-finished goods, however, have gone up sharply, partly because of the individual shortages that are holding up completion and shipment, and partly because manufacturers are quite willing to build up their inventories of scarce items wherever possible.

Consumers Goods

New restrictions on the use of metals in consumers durable goods, automobiles, appliances, etc., were recently announced.

There will be sharp changes in the durable goods situation within the next few months. This is one place where over-buying occurred last fall. Consumers and distributors alike believed that shortages

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Common Stocks and Life Insurance Companies

By SHERWIN C. BADGER*
Financial Vice-President, New England Mutual Life Insurance Co.

Mr. Badger maintains common stocks provide excellent investment medium for life insurance companies, provided purchases are confined to sound and diversified stocks, with emphasis on income in lieu of market price. Says common stocks can importantly build up earnings, thus reducing net cost of insurance and although such holdings will increase, their aggregate will remain moderate. Avers change in legal attitude is wholesome.

Ten years ago it would have been a bold Life Insurance Officer indeed who would have dared to talk publicly on the subject I am discussing today, namely, Common Stocks and Life Insurance Companies. A great many people at that time were strongly opposed to common stocks as a medium for life insurance company investment. I remember going to one legislative hearing in New York on the subject where a top executive of one of the largest life insurance companies, when asked what he thought of common stocks, repeated a familiar Calvin Coolidge story. It's an old chestnut, but you will remember that President Coolidge asked his wife, when she returned from church, the subject of the minister's sermon. He was told the worthy pastor talked about sin. Mr. Coolidge asked what the minister's views were on this subject, and Mrs. Coolidge replied "He was against it." The life insurance executive similarly told the legislative committee that he considered common stocks sin and so he was against them.

Sherwin C. Badger

Memories of 1906

It is a curious thing that even as recently as in the 1940's, the thinking of a great many people regarding common stocks and life insurance companies was still strongly tinged by the famous Armstrong investigations of 1906. As a result of these investigations and the occasional abuses of trusteeship which they uncovered, the insurance laws of New York and of many other States were revised so as to specifically prohibit ownership of common stocks by life companies. That prohibition remained on the New York statute books until early 1951. Another strong factor in influencing thinking on this subject was that the scars of the great depression of the 1930's, including the debacle in common stock prices, were still raw.

Recently the attitude toward common stocks has been undergoing a significant change. Not only have an increasing number of life insurance companies been adding common stocks to their portfolios, but most interesting of all the New York law was amended in 1951 to permit life companies domiciled in New York State to invest up to 3% of their assets, or one-third of their surplus funds, whichever was smaller, in common stocks computed at their cost value. Common stocks seem to have reached a point of respectability, not only for trustees in general but for life insurance companies in particular.

Change in Attitude

There have been, in my opinion, many reasons for this change in attitude. One of the most powerful was the low level of interest rates during the late 30's and all the 1940's. As you all doubtless know, the net rate of earnings on invested life insurance funds dropped from a little over 5% in 1930 to an extreme low of 2.88% in 1947. At this latter low rate, many life companies were earning less than was required to build up their policy reserves. Thus the chief investment problem of life insurance companies during most of the 1940's was to find outlets for their funds that would give a reasonable rate of return. Quite naturally, preferred stocks and common stocks, under these conditions, became more and more alluring.

A further important reason for the change in attitude was the relative scarcity of equity money during the 1940's. It was forcefully argued, amongst others by Chairman McCabe of the Federal Reserve Board, that part of the people's savings being channeled into life insurance companies should be made available to the equity market for the good of the economy as a whole. I remember that in a talk I made two years ago before the Bond Club of Baltimore, I stressed this argument, amongst others.

More recently, however, the emphasis has been on the argument that for long-term investors, like life insurance companies, common stocks are an excellent medium for investment. It has been further argued that, even for life insurance companies, equity ownership through common stocks offers some hedge against rising operating costs resulting from prevailing inflationary forces.

Three Main Points

It seems to me the real question boils down to three main points. First, are common stocks suitable investments for a fiduciary institution if its contractual liabilities are expressed in a fixed number of dollars? To put it another way, might investment in common stocks, with their fluctuating values and lack of a maturity date, jeopardize a life company's ability to meet its insurance contracts?

Second, might the ownership of common stocks impair public confidence in the stability and strength of life companies?

Third, what legal and technical impediments need to be overcome if common stocks are to be owned in larger amounts by life companies?

Unique Features

Before attempting to answer whether common stocks are suitable investments for life companies, I should like to stress a few of the unique features which distinguish the investment opportunities and objectives of life companies from those of virtually all other investors.

What other type of investor has all of the following characteristics?

First, life companies are truly long-term investors because their contractual liabilities are long-term also. By long-term, I mean really long-term. My company, for instance, held one security for 101 years and it has several in its portfolio today which have been owned for over 30 years.

Second, a life insurance company that is well run always has more cash coming in than going out. This was true even in the most severe depression any of us has ever known; namely, 1932 and 1933. Because of this, life insurance companies are almost, if not entirely, freed from any necessity to liquidate investments in order to meet their liabilities.

Third, and most important of all, unlike individuals or other investors, life companies retain the bulk of their investment income and reinvest it at compound interest. I do not know the name of the gentleman who invented compound interest, but he was perhas the smartest investor who ever lived, for compound interest produces amazing results over the years.

Reinvestment Results

Let me give you an example, an exaggerated one perhaps, which I have often used to illustrate results from the retention and reinvestment of income. One of the first three investments purchased by the company with which I am associated, was the stock of a railroad. This was purchased in 1844 when the railroad was still in the construction stage. The stock was sold 101 years later, after the railroad had gone into receivership, at a capital loss of 57% on the original investment. During our 101 years of ownership, however, we received dividends totaling 839% of the original investment, most of which was retained and reinvested. The 57% capital loss which we sustained was inconsequential compared to the income. Even after absorbing our capital loss, the annual average rate of return over the 101 years was 7.7%. Heaven only knows what the figure would be if the dividends were figured on a compound interest basis.

Because the investment characteristics of life insurance companies, as I have just outlined, are quite different from those of most other investors I believe their investment objectives and techniques are different also. What then should be the objective of a life company if it invests in common stocks? My answer is that its fundamental objective should be income either present or prospective. I believe this objective should not be subordinated to any desire to achieve capital appreciation or make capital profits, desirable and pleasing as the latter may be.

To me, a reasonably high rate of return, present or prospective, is like a bird in the hand—whereas hoped-for capital appreciation and capital gains are like two birds in a bush.

Let me illustrate by using the actual results of my own company's experience. Our present portfolio of common stocks is yielding almost exactly 7½% on its cost, and our average yield since 1929 has been about 6% or almost double the average rate that could have been obtained from bonds during that period. If you will compare the results of compounding income at 6% to compounding at 3%, you will find that the excess return at 6% in a ten-year period amounts to $466 per thousand dollars invested; while in a 15-year period the difference between the two rates results in $878 more income per thousand dollars of original investment. The figure for 20 years is $1,473 additional income per thousand of dollars of original investment. This excess of income resulting from compounding at 6% instead of at 3% is truly a bird in the hand—it is additional money actually taken into the till and retained. For a ten-year period, therefore, the additional income was just exactly as good as a 46.6% appreciation of original principal; and for a 20-year period it was just exactly as good as a capital appreciation of 147.3%.

I will go farther. The additional income—the bird in the hand—was better than a capital appreciation. The reason for this is very simple, a capital appreciation remains a bird in the bush until the profit is taken. But a life insurance company is a long term and continuing investor. Therefore, it is unlikely to liquidate its common stock portfolio in order to take its profits. It may theoretically take a bookkeeping profit by selling this or that stock that has appreciated; but the overwhelming probability is that the proceeds from the sale of an individual stock, including the profit thereon, will be immediately reinvested in another common stock. Thus the money remains at risk exactly as it was before, though after the sale it may be in stock B rather than in stock A. In other words, the birds remain in the bush.

May I illustrate this principle another way? During the 21 years, beginning 1930 (close to the peak in the boom) and ending with December, 1950, our company received total dividend income from its common stocks of approximately $10,400,000. During that 21-year period, our total realized gains on common stocks were a little over $1,100,000 or only about one-tenth the amount of dividends received over the period. But of course this $1,100,000 of profits was not put into government bonds or retained in cash, it was reinvested in other common stocks.

But, you may ask, did you or did you not have an appreciation on your common stocks at the end of the period? The answer is we did have an appreciation, a very substantial one, approximately $8,300,000, or almost as much as our total dividend income during the 1929-50 period. I heard no one in our company, however, suggesting at the end of 1950 that we ought to sell all of our common stocks and thus tuck away our more than $8,000,000 of paper profits. On the contrary, our policy as a continuing investor has

Continued on page 28

*An address by Mr. Badger before The American Statistical Association, Boston, Mass., Dec. 27, 1951.

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Is There An Inflation Bugaboo?

bonds. As the value of one's stocks increases, one should increase his bank account proportionately in order to have proper diversification. (3) To have sufficient funds on hand to pay estate taxes after death. Too many families are not doing this; hence it will require a mortgage on the home or a sale of the business to pay these taxes. A person 65 years of age should start a special bank account to accumulate funds for his "death taxes." Every year this fund should be systematically increased.

Cash and Patience

I have had the responsibility of supervising literally billions of dollars of investments. The greatest profits which I have witnessed have come not from buying some definite stock which everyone agreed "looked good," but from buying at the right time. This required good, old-fashioned "cash and patience." Many an old small-town New Englander who knew little about finance has become a millionaire by merely storing up cash in times like the present, and having the patience to wait for the right time to buy good securities.

It is true that the quoted value of cash today is low compared with the quoted prices of houses, commodities and merchandise; but some day will see this situation reversed, when the value of cash will be higher than the price of houses, furniture and all kinds of merchandise, including Government bonds. There have been times when I have even walked up and down State Street, Boston, trying to borrow 50% on Government bonds, and every banker laughed at me! Of course, I believe in Government bonds, but remember that you can even now get the benefit of them at a discount of 25% by buying certain bank stocks.

Joins W. J. Anderson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Barrett Wendell III is now with William J. Anderson, Jr., 60 State Street. He was formerly with Coffin & Burr, Inc.

Central Republic Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Henry J. Shirley, Jr. has been added to the staff of Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

With Campbell, McCarty

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Thomas A. Dowling has been added to the staff of Campbell, McCarty & Co., Inc., Buhl Building, members of the Detroit Stock Exchange.

With Fordon, Aldinger

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Richard Durant has become affiliated with Fordon, Aldinger & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. He was formerly with Campbell, McCarty & Co., Inc.

Oppenheimer Adds

Oppenheimer & Co., 25 Broad Street, New York City members of the New York Stock Exchange, announce that Paul Wm. Brennan has become associated with them as a registered representative.

David Dean Beal Now With Baker, Weeks & Harden

Baker, Weeks & Harden, 1 Wall Street, New York City, members of the New York Stock Exchange, announce that David Dean Beal has joined the research department of the firm.

Joins Louis Rogers Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Louis G. Rogers, Jr., has become associated with Louis G. Rogers & Co., Johnston Building.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert D. Gauthier has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly associated with Walston, Hoffman & Goodwin and Holton, Hull & Co.

Harry Bergman Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry Bergman, Jr. is engaging in a securities business from offices at 1112 North Havenhurst Drive.

With Harker & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James V. Priest has been added to the staff of Harker & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Walston, Hoffman & Goodwin.

With Slayton Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Gordon M. Luey is with Slayton & Company, Inc., 408 Olive Street.

"Got Rich Quick" Wallingford

PHILADELPHIA, Pa. — The tense, in a sense, is inaccurate, but the fact seems to be definitely in the cards.

C. L. Wallingford

Charles L. Wallingford, brisk trader on H. M. Byllesby & Co.'s Philadelphia desk, is wandering about in a personal winter wonderland heavily blanketed with visions of emerald snow.

The notification, at least, is official that "Wally" has come into an unexpected inheritance somewhat loosely calculated to be between 100 and 200 "grand," after taxes, and it couldn't have happened to a nicer fellow.

It is not yet in the till. But his daily mail includes an increasing volume of investment suggestions and offers to handle his account, which are meticulously time-stamped and filed. It is reported that there have been a few scattered tenders of credit on a repayable basis.

In the meantime, his trading markets remain characteristically firm, sharp, close and to the point, with perhaps a discernible added touch of authority.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John E. Gurney has joined the staff of Walston, Hoffman & Goodwin, 550 South Spring Street. He was previously with Waddell & Reed, Inc.

Hooker & Fay Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry J. Nelson has been added to the staff of Hooker & Fay, 340 Pine Street, members of the San Francisco Stock Exchange. He was previously with Francis I. du Pont & Co., and Davies & Mejia.

J. L. Rodgers Transfers To New York Office

Blair, Rollins & Co., Inc. announce that J. Leslie Rodgers, formerly of the firm's Trading Department in Philadelphia, is now associated in a similar capacity in the New York office, 44 Wall Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Wayne M. Coulter, Regnar Johnson and Elmer F. Mahler have joined the staff of Waddell & Reed, Inc., Barkley Building.

Joins Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Jane J. Phillips is with Lamson Bros. & Co., Stuart Building.

Philip Kearney

Philip Kearney passed away Dec. 29th at the age of 75. He had been a member of the New York Stock Exchange from 1899 to 1912.

John M. McMillin

John M. McMillin, Vice-President and director of Cities Service Co., passed away Dec. 27th at the age of 68. He became associated with Cities Service in 1910 and in 1914 was affiliated with Henry L. Doherty & Co.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stock Outlook—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Equipment Trust Issues—Semi-annual appraisal of 523 issues—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **City of Philadelphia** and **Philadelphia School District Bonds.**

Mutual Funds Make Small Living Trusts Feasible—Reprint of article—Manager, Mutual Funds Department, Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 12½-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Synthetic Textiles—Analysis—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ontario, Canada.

Television — Comparative figures — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are data on **Boeing Airplane Co., Atchison, Topeka & Santa Fe Railway Co.,** and **Pullman, Inc.**

Tokyo Stock Market—Spot quotations on major issues—Nomura Securities Co., 1-1, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is a monthly bulletin containing an analysis of the current economic situation in Japan and of the **Japanese Oil Refining Industry** with brief data on **Nippon Oil Co., Showa Oil Co., Toa Fuel Co.** and **Mitsubishi Oil Co.**

* * *

Gear Grinding Machine—Write-up—Lerner & Co., 10 Post Office Square, Boston 9, Mass. Also available are write-ups on **National Company, Riverside Cement "B,"** and **Seneca Falls Machine.**

National Supply Company—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pan American World Airways, Inc.—Special review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Reo Motors—Memorandum—Herzfield & Stern, 30 Broad St., New York 4, N. Y.

Seneca Oil Company—Analysis—Genesee Valley Securities Co., Powers Building, Rochester 14, N. Y.

Texas Illinois Natural Gas Pipeline—Summary—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Tintic Standard Mining Co.—Circular with particular reference to the company's oil activities in Texas—W. C. Doehler Company, 15 Exchange Place, Jersey City 2, N. J.

U. S. Thermo Control—Data—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is information on **Thermo King Railway.**

COMING EVENTS

In Investment Field

Jan. 8, 1952 (Detroit, Mich.)
Detroit Stock Exchange annual election.

Jan. 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago annual midwinter party at the Furniture Club, 666 North Lake Shore Drive.

Feb. 8-9, 1952 (Chicago, Ill.)
Winter Meeting of Board of Governors of Investment Bankers Association at the Edgewater Beach Hotel.

Feb. 11, 1952 (Boston, Mass.)
Boston Securities Traders Association annual Winter dinner at the Copley Plaza Hotel.

May 1-2, 1952 (Galveston, Tex.)
Texas Group of Investment Bankers Association Spring Meeting at the Hotel Galvez.

May 14-17, 1952 (White Sulphur Springs, W. Va.)
Spring Meeting of the Board of Governors of the Investment Bankers Association.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 19, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Financial Policies and Productivity

By CURTIS E. CALDER*

Chairman, Electric Bond and Share Company

Pointing out recent changes in capital formation indicate larger dependence of business on internal sources and reduced dependence on new stock issues, Mr. Calder lays down as fundamentals in obtaining private funds: (1) investor confidence in nation's economic policies and its stability; (2) incentives in form of financial returns commensurate with risks; and (3) a free competition to stimulate the capital market and reduce production costs. Says we must guard against excessive bureaucracy and controls. Holds U. S. private capital is available for investment abroad, if climate is favorable.

I have been given the task of discussing with you the role of financial policies in increasing productivity. I can think of no more vital subject at a time when the free world is straining every fibre to produce the vast quantities of arms needed to discourage the aggression of Communist imperialism, and to increase our capacity to produce, while maintaining a supply of civilian goods adequate for our essential needs. The very effort, unless we are on guard, can create conditions, and I shall refer to some of them, which in the long run would destroy the institutions we are seeking to protect.

Curtis E. Calder

In the history of mankind there have been just three ways discovered of accumulating wealth. The first is to steal it. The second is to receive it as a gift. The third is work combined with self-denial.

The acquisition of wealth by theft has been a dominant factor in human affairs since the earliest days of history. The first recorded event is the stealing of Esau's birthright by Jacob—"The voice is Jacob's voice, but the hands are the hands of Esau." Acquisition by theft is practiced on a small and on a large scale today. (Sometimes it is called expropriation.) The difficulty with plunder is that it creates no wealth, and it confers no lasting benefit on the plunderer. Sometimes, to be sure, a great empire is founded on plunder, but the plunderer is always in danger of being plundered; and softened by the relative ease of living on such wealth, the plunderer becomes a fairly easy mark for those like himself. Rome which grew great on conquest and tribute went down at the hands of the Vandals and Goths — plunderers from the North and East.

I know of no case in the history of nations in which, in the long run, the loss of potential productivity resulting from the attempt to steal property has not exceeded by far the immediate gain.

The acquisition of wealth by gift is non-creative and relatively uncertain. Many a man has gone to his grave a pauper while waiting for a rich relative to die. Dependency on gifts is subject to the whim of a person; if the expected donor is a country, the whim of a party or of a Congress. In any case, gifts cannot go on forever. They are limited by the wealth and the willingness to give of the donor. But the worst feature of all is their demoralizing effect; because when the will to work has been destroyed by the expectancy of spoon-feeding, and the giver ceases to give, the recipient is in a very bad way. The handwriting on the wall for Rome appeared when the people began to clamor for free bread and circuses. The changing character of our economies has, to be sure, called for changing concepts of the responsibilities of government However, at the risk of being tagged as "reactionary," I state that the tendency to rely on Government to provide all types of social services and cradle-to-grave security is a mark of decadence, and unless checked, this tendency will spread so that we will expect Government to be the provider of our "bread and circuses." When this day comes we shall most certainly be easy prey for the new plunderers from the East.

I think it is imperative, therefore, that we who believe in democracy and it concomitants—initiative and free enterprise, look now to the means whereby we can preserve that kind of self-denial which is the only true foundation of lasting free government. It is work combined with the willingness to put aside today's comforts, or even today's necessities, so that we may have more for the future that has produced the great wealth of the United States. It has seemed to me that our common purpose would be best served if I reviewed the financial policies that have led to the growth of productivity in the United States. This is not with the thought that the same principles do not apply elsewhere, for of course they do, nor with the naive idea that many of them have not long been and are not now in effect abroad, but because I know they have been effective here, and because what might happen here to modify these financial policies with an adverse effect on productivity might happen to you, too.

*An address by Mr. Calder at the First International Conference of Manufacturers, sponsored by the National Association of Manufacturers, New York City, Dec. 4, 1951.

Significance of Capital Formation

The significance of capital formation in this country may be seen in a very few figures. In the last century, output per man-hour has risen about five times, because capital investment has provided new tools, multiplying power use 20 times; so, with a work week about 30 hours shorter than in 1850, the living standard—real income per worker — has tripled. This takes a lot of money. In the past 30 years, each billion dollars invested in new plants and equipment increased productivity—output per man-hour—1%, using 1939 as a base of 100.

I might say, in passing, that there are several notable differences in the manner in which our capital needs have been financed postwar as compared with prewar. Whereas retained earnings as a source of capital have risen from 30% to 50% of the total, the proportion supplied by the amounts set aside for depreciation has substantially declined. This may be very serious when we come to replace plants built at lower costs, and depreciated on the basis of those costs. We may be keeping our money capital intact, but we may be unknowingly dissipating our real capital—our ability to replace productive facilities — and that is what you and I are concerned with today.

Another significant difference is that whereas in the 1920's new stock issues provided 20% of the money for capital expenditures, in the postwar period this figure has dropped to less than 10%. This, of course, is indicative of a developing shortage of venture capital, especially for smaller businesses less able to finance their capital needs out of retained earnings.

The capital formation I have described could not have taken place, except in an environment favorable to the accumulation of savings. To me the principal factors in this environment were:

(1) Our wealth of natural resources — resources useless until developed. Many of you also possess resources capable of rapid development if governmental policy is such as to encourage it.

(2) The temperate climate—conducive to hard work, and requiring hard work and savings to achieve security.

(3) The character of the people. We have been fortunate that our people almost without exception came here to escape hardship of one type or another abroad. The people who first settled here came willing to endure personal sacrifice for an ideal. Those who came later were willing to risk the perils of a new land to escape the tyrannies of man and nature under which they lived abroad. Walt Whitman saw them as pioneers; and new pioneers kept coming to our shores in the first 150 years of our existence as a nation.

(4) A government based on the theory that they are governed best who are governed least.

(5) A tax burden that did not stifle productivity in the womb.

As I look back at this list, I must say it gives me pause, because while we still have our natural resources and our climate, I sense the risk that our pioneering days are coming to an end, and we may need a new infusion. When I am told that our college graduates seek above all "security," I am concerned. When I see our government becoming more and more centralized, and reaching out to control more and more of our daily lives; when I see our people assume that the government will take over the burdens that our forefathers would have been ashamed to have anyone bear for them; when taxes to support such programs become so high that the government drains off what would otherwise be available for productive investment; when, finally, governments resort to the unbalanced budget, and inflation, so that they indirectly levy on past accumulations of capital — I think it is time to look about us.

If we are to continue to obtain from private sources the funds needed to provide increasing productivity, certain fundamentals must be observed.

(1) The investors must have confidence in the stability of the country and in the continuance of sound economic policies. Investors are prepared to accept a "business risk." However, they are loath to invest in enterprises if there is a serious danger of confiscation, expropriation, or other government policies which prevent business from discharging its proper functions of providing goods and services in quantity and at low cost to consumers, paying proper compensation to its employees, and earning a return on its capital attractive to investors. Confiscation and expropriation need not be overt; confiscation through currency depreciation, or price controls which permit costs to rise and squeeze out profits, are equally effective deterrents to investors. Naturally the investor must have confidence in the stability of the particular enterprise but that is a matter largely within the control of those guiding the enterprise.

(2) There must be incentives provided so that investors may be able to obtain the fruits of successful investment. Any investment constitutes a risk. There is no incentive to risk unless the possible financial returns are commensurate. A private capital market will not reach its potential unless governments permit business to make and distribute reasonable profits and allow the investors to retain enough of these profits to justify the risks taken. By this I do not mean to suggest that fair and reasonable taxes should not be levied by government and paid by business and private individuals. Our governments must have sufficient money with which to finance their proper functions. All of us have the responsibility to do our share; for a financially strong government, and the functions which are properly its to perform, are primary requisites for the development of sound business.

I would stress, however, that the tax structure should not destroy the incentives upon which private enterprise is based. On the contrary, it should be designed to encourage maximum productivity. I cannot say that our own tax structure has been so designed.

(3) There should be a free competitive society if a capital market is to accomplish its objective. Free competition is a keynote to stimulate the capital market. In free competition business is forced to find new, less costly, and better ways to produce in order to maintain a competitive advantage. Highly dynamic businesses require funds. If they are well managed, they should provide adequate returns. Thus, an opportunity for investment is furnished, bearing with it the hope of proper compensation.

We must guard against the use of the emergency to create an enlarged bureaucracy and excessive controls, and against the threat of government entering business under the specious pretext that private business cannot or will not meet the demands of the defense effort. There has, as a matter of fact, been in recent years an expansion of the functions of government into areas which should be left to the responsibility of private business operating with proper incentives. Government by its very nature is not a medium for production. When government steps beyond its proper bounds of establishing and protecting an orderly society, it preempts to itself power which it cannot properly exercise. In the realm of business government should be an umpire. When the government preempts the role of producer there no longer is an umpire and the way is paved for the complete destruction of all personal liberties.

But let me quickly add that it is our responsibility as business men so to conduct our affairs that there can be no justification for excessive controls or for government undertaking the business of production. It is equally our responsibility to see to it that the role of business and capital is understood by the people as a whole and their representatives in government.

Availability of Capital for Foreign Investment

Up to this point I have tried to give a concise story of financial policies and practices in the United States which have led to our great productivity, and the hazards against which we must guard if we are to maintain the growth of productivity.

I do not believe that my paper would be complete without a discussion of the availability of capital funds of this country for investment abroad. It is reasonable to assume that in view of the growing productive capacity of the United States, of its fortunate materials situation which has been so important a factor in its growth, even more in its fortunate industrial status which enables it to adopt quickly and effectively the new and rapidly developing scientific discoveries, and despite its heavy burdens of taxation for defense and for help abroad, the United States wil be one of the great reservoirs of capital. What are the conditions under which this capital will flow abroad? By conditions I do not mean conditions imposed by any authority, governmental or financial, in this country, but conditions which must exist for the individual and corporate investors to welcome investment outside of the United States.

A recent policy statement of an organization of businessmen in this country who are interested in international trade and in investment makes it clear that there are many people in this country who feel — and I am now quoting, largely from that statement—that "our own Government, conscious of the fact that economic development abroad is highly desirable, has proceeded on the unfortunate assumption that private enterprise is unwilling or unable to undertake the task," and that, in consequence, inter-governmental loans or grants for the purposes in view is the only course open. This attitude has perhaps justified foreign governments in not doing things they would otherwise find it necessary to do in order to attract the private capital they need. The dilemma, the policy statement continues, is one which probably cannot be completely resolved until our Government brings itself to announce, as a fundamental and

Continued on page 34

Pennsylvania Brevities

Corporation News and Notes

PHILADELPHIA — In further pursuance of its program of compliance with the provisions of the Public Utility Holding Company Act, the **United Gas Improvement Co.** is filing with the Securities and Exchange Commission a plan which proposes the merger into itself of its seven Pennsylvania utility subsidiaries.

The companies are: Allentown-Bethlehem Gas Co., Consumers Gas Co., Harrisburg Gas Co., Lancaster County Gas Co., Lebanon Valley Gas Co., Luzerne County Gas & Elec. Corp. and Philadelphia Gas Works Co.

Steps necessary to consummate the unification will include the affirmative vote of at least a majority of outstanding UGI stock and necessary approvals by the Pennsylvania Public Utility Commission and the SEC. Since public holdings of subsidiary stocks are minor, it is not believed that any objections will be raised in respect to the proposed exchanges of securities. Each present share of UGI common stock will receive one share in the new corporation of the same name. Each share of Harrisburg Gas capital stock will receive four shares of new UGI and each share of Consumers Gas will get eight-tenths of a share.

Adoption of the plan will provide greater efficiency and economy in the operation of the properties and will convey certain tax savings.

It is understood that UGI has agreed to dispose of virtually all of its non-subsidiary portfolio securities within a year of the effective date of the presently proposed merger. Including in its holdings are: 35,340 shares Central Illinois Light common; 63,612 shares Consumers Power common; 37,335 shares Delaware Power & Light common; 145,000 shares Niagara Mohawk Power Class "A"; 16,543 shares Philadelphia Electric common; 36,801 shares Public Service Elec. & Gas preference stock and 4,861 shares of common.

* * *

But in the Meantime

HARRISBURG — Two gas utility subsidiaries of United Gas Improvement Co. have filed rate increases with the Pennsylvania Public Utility Commission, to take effect Feb. 16, and which, if granted, will add about $789,000 to annual revenues.

The two companies are Allentown-Bethlehem Gas Co. and Harrisburg Gas Co., together serving about 120,000 customers in their respective service areas. Since the "higher operating costs" cited by the petitioners can scarcely be disputed, it seems likely that the increases will be awarded.

* * *

Pittsburgh Consolidation Coal

The "gimmick" of taking your good customers into partnership, more frequently observed among small businesses, can work for the big boys, too.

Pittsburgh Consolidation Coal Co., whose mines last year produced more than 24 million tons, is the world's largest producer of soft coal. Coal is essential in the manufacture of steel. It is converted into coke and mixed with iron ore in the blast furnaces to make iron. Coal thus used is termed "metallurgical" coal. The Mathies mine, owned by Pittsburgh Consolidation and opened only a few years ago, has a fine modern plant, rail and river transporation facilities, a present productive capacity of about 1,750,000 tons of bituminous coal annually, 600 acres of surface lands, and an estimated reserve of some 30 million tons of Pittsburgh Seam metallurgial coal.

Now most steel companies endeavor to supply their own coal requirements through direct ownership of mines. But as the demand for steel increases, steel manufacturers are faced with high capital costs in developing new mining operations to meet increased coal needs.

So, when Pittsburgh Consolidation suggested that its Mathies mine might be segregated and set up as an independent enterprise and that control might be bought "joint account" by one or more interested steel companies, it didn't take long to find the buyers and arrange the details.

Last week, the formation of the Mathies Coal Co. was announced. Two-thirds of the new company will be owned by three steel producers — National Steel Corp., Steel Co. of Canada and Youngstown Sheet & Tube. The remaining one-third interest will be retained by Pittsburgh Consolidation. Capitalization of the new company will consist of $9 million debt and $9 million in capital stock. Funds will be provided proportionately by the stockholders.

For the two-thirds interest in the Mathies property which it is relinquishing, Pittsburgh Consolidation will receive approximately $13 million, a portion of which will be payable over a 15-year period.

* * *

Pennsylvania Power Co.

Construction program of Pennsylvania Power Co. for 1952 will involve expenditure of approximately $9,000,000, company officials have announced. The utility has asked SEC for premission to sell 80,000 shares of common stock to parent company, Ohio Edison Co., for $2,400,000. An additional $6,000,000 will be sought through the issuance of first mortgage bonds to mature in 1982. Price and coupon will be determined by competitive bidding.

* * *

Sun Oil Co.

Despite the bite of sharply higher taxes, Dow-Jones estimates that Sun Oil's 1951 net earnings will be as large or larger than the $36,291,498 reported in 1950. Gross operating income may top $560,000,000 compared with last year's $495,529,646. Benefits from company's expansion and modernization program will be reflected in final results.

* * *

Piper Aircraft Takes Off

LOCK HAVEN — "Grounded" by operating deficits for a number of years past, Piper Aircraft Corp. announced that it finished the fiscal year ended Sept. 30 in the black. Company has received a number of substantial sub-contracts and looks for satisfactory results in the current fiscal year.

* * *

Stockholders' Committee Outvoted

PHILADELPHIA — Mustering a very substantial majority of proxy votes, management of Philadelphia Transportation Co. administered a sharp slap on the wrist to members of a Special Stockholders' Committee who endeavored, at a special meeting held Dec. 10, to force certain changes in the transportation company's by-laws.

The Committee's principal grievance was that PTC's Executive Committee was invested with too much power and that such authority should be properly confined to the company's Board of Directors. The Committee also objected to the existence of an Industrial Relations Committee, which it considered unnecessary.

* * *

Baldwin Securities Corp.

The sale of portfolio securities in order to effect favorable tax results can be of importance and benefit to holders of investment trust stocks. According to Dow-Jones, such was the motivation of Baldwin Securities Corp. in recently disposing of 4,166 shares of General Steel Castings at $21.50 per share. The loss thus realized will be used to offset other earning and profits, thus making distributions to stockholders nontaxable in whole or in part.

General Steel Castings is reported to be closing a good year, with earnings equivalent to about $22 per share of preferred, compared with $20 per share in 1950. Directors will meet late in January to consider dividend action on the preferred which is currently $9 per share in arrears.

* * *

Robertshaw-Fulton Controls Co.

GREENSBURG — Robertshaw-Fulton Controls Co. has announced completion of arrangements to borrow $5,000,000 from three insurance companies for 15 years at 3⅞%. Funds will be used to retire $1,846,000 presently outstanding debentures and for plant expansion.

The Company last month announced the acquisition of the Fielden Instrument Co. of Philadelphia which will be operated as a wholly-owned subsidiary. Commenting on the purchase, John A. Robertshaw, President, said: "The Fielden acquisition will enable us to offer industry many combinations of control valves and regulators with electronic instrumentation and should enlarge our potential market."

* * *

Bankers Securities Buys Hoving

PHILADELPHIA—The Bankers Securities Corp. has acquired a 42% interest in Hoving Corp. which operates the Bonwit-Teller women's apparel stores in New York, Chicago, Cleveland, Boston, Palm Beach and White Plains, N. Y. Hoving also operates the John David Co. men's wear store in New York City.

* * *

To Vote Additional Stock

Stockholders of International Resistance Co. will vote Jan. 9 on a proposal to increase authorized common shares from 1,097,225 to 1,500,000. Company at present has 1,067,163 shares outstanding. If authorized, it is understood that 250,000 of the additional shares will be offered for sale by F. Eberstadt & Co. and Zuckerman, Smith & Co., following SEC registration.

The Philadelphia company is one of the largest manufacturers of resistors for all types of electronic and electrical equipment.

LETTER TO THE EDITOR:

Tax Consequences of Registering Stock in Name of Married Man

William H. Kinsey makes correction in text of his article which appeared in the "Commercial and Financial Chronicle," issue of Nov. 29, 1951.

Editor, The Commercial and Financial Chronicle:

I wish to point out an error in my article entitled "Tax Consequences of Registering Stock in Name of Married Man" published in the Nov. 29, 1951 issue of the "Commercial and Financial Chronicle." While it may have been self evident to many of your readers, I wish to offer a correction together with my apologies for any confusion it may have created.

William H. Kinsey

The error is in the computation of the amount of the taxable gift under Part II(a) set forth in the portion of the first column on page 33 above subparagraph (b). The $6,000 exclusion referred to applies where a married man makes a gift to his children and his wife elects to consider half of the gift as coming from her so that she may apply her $3,000 annual exclusion which together with his $3,000 exclusion makes a total annual exclusion of $6,000. This does not apply to a gift from a husband to his wife. Instead he has a marital deduction of one-half the value of the gift. This portion of the article in Part II(a) on page 33 should have read as follows after the sentence "The value of such gift to Mrs. Smith is $5,000, being one-half the price paid for the share":

"Under the Federal gift tax a husband has a marital deduction of one-half the value of the gift to his wife plus an annual gift tax exclusion of $3,000. Consequently, there is no gift tax payable on the $5,000 gift of the undivided one-half interest of the stock to Mrs. Smith, the marital deduction reducing the gift below the $3,000 annual exclusion.

"If Mr. Smith paid **$20,000 for the 100 shares rather than $10,000 the gift to Mrs. Smith is $10,000 so there is a taxable gift of $2,000 under the Federal law ($10,000 less $5,000 marital deduction less $3,000 annual exclusion). In addition to the annual exclusions each person has a lifetime exemption of $30,000 under the Federal gift tax law. If Mr. Smith has not previously used such lifetime exemption, he could apply it against the taxable gifts and thereby eliminate any gift tax. If this was the first time he used any of his lifetime exemption, he would have $28,000 of the exemption left ($30,000 less $2,000).**"

The same correction applies to Part IV(a) on page 34. **The $10,000 gift therein referred to is $2,000 more than the $5,000 marital deduction plus the $3,000 annual exclusion.**

Very truly yours,
WILLIAM H. KINSEY

Wilbur, Mautz,
Souther & Spalding,
Attorneys-at-Law,
Portland, Ore.
Dec. 24, 1951.

Joins Blyth & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Marc F. Grignon has joined the staff of Blyth & Co., Inc., Pacific Building.

With McAlister, Smith

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C. — Marshall G. McRae has become affiliated with McAlister, Smith & Pate, Inc., 655 Southwest Broad Street.

The Fir Plywood Industry And Its Prospects

By THOMAS B. MALARKEY*
President, M and M Wood Working Company, Portland, Ore.

Executive of leading fir plywood producer reviews history of this industry and explains causes for recent overproduction and drop in prices of its products. Sees sound and healthy readjustments in prospect, which will bring production and demand in balance and lead to stable conditions. Estimates current theoretical capacity of fir plywood producers at 35% in excess of projected demand, but looks for substantial increase in plywood consumption because prices are now at rock bottom. Reports on situation of M and M Wood Working Company.

Here we are today in an inflationary economy, with prices rising on all sides and industrial output at a record high. Concurrently, plywood has taken a tailspin which has resulted in a price reduction of approximately 21% in 90 days and a drop in production of between 25% and 30%.

Thomas B. Malarkey

What is it all about? Is it a price war? Is something basically wrong with the product? Has it reached the saturation point marketwise? Whether you admit it or not, those questions are in the minds of every man in this room.

Before we diagnose the patient and tell you something of the prognosis and indicated cure, let's take a quick glance at the recent history of this vigorous, versatile and hard-hitting industry. A short decade ago, 31 plants were producing 1,600,000,000 feet per year and the country at large was consuming 12 feet per capita. That was in 1941. The impact of war, the trade promotion and advertising of the Douglas Fir Plywood Association, the individual promotional efforts of certain companies, and above all, the basic merit and multiple uses of the end product, induced a growth in demand which has had few parallels in recent years.

Controls and raw material shortages prevented expansion until the war's end. The pent up demand for plywood burst open the flood gates in 1946 and within five years there has been constructed 39 plants, bringing the present total to 72, with a current six-day three-shift production theoretical capacity of 3,400 million feet. Additionally, there are about 12 more plywood plants at various stages of construction.

What happened to fir plywood was inevitable. The profits of some old line companies from 1946 to 1951 were attractive. Naturally, that served as a magnet to risk capital. Plywood was a synonym for get rich quick with—so it was then believed — few barriers and fewer risks.

Even the workers themselves became intrigued. Here and there throughout this burgeoning industry labor people broke away from conventional employment, pooled their resources and established cooperative plywood operations. They required no sales department other than a telephone. There seemed to be ample raw materials, with the allowable cut of government timber increasing apace. Eager beaver equipment people sold them machinery on time and persuaded them that quick profits would soon liquidate their investment. And the hell of it was, that for a brief spell that is exactly what happened. Today, plywood cooperatives represent 15% of industry production.

Third, the great postwar sellers' market beckoned all these people forward like the sirens of mythological fame.

Finally, another illusion which baited the hook, so to speak, was our government's repeated declarations of tremendous defense requirements. I have listened in Washington time and again to government planners declare that they would need for direct and indirect purposes, from 750 million to one billion feet per year. They even invoked an order providing for a 30% set-aside of production.

These requirements have simply not materialized and I fear some of these poor devils who have committed their honest dollars for new plants in the hope and belief of huge military demand, will be sadly disappointed.

Factors in Fir Plywood's Plight

Broadly speaking, those are the contributing factors to fir plywood's plight.

Now, what is the state of this industry today? Is it mortally ill? Is it suffering from a recurring ailment? Or, does it just have a hang-over? That question brings me to the second part of my remarks.

Last September, this prospering industry came a cropper. Premonitory symptoms had been apparent to thoughtful observers for months. The industry weekly barometer had consistently showed sales falling from 30% to 35% below production. Jobbers' warehouses were being filled to the rafters. The chain reaction of price nervousness at distribution levels spread like creeping paralysis back towards the factory door. Marginal plants, cooperatives and other Johnny-come-latelys, without sales forces or other management techniques, suddenly found themselves out of orders. Some, I am told, had urgent financial commitments to meet. A few didn't know their costs.

So, as I said, the inevitable occurred. Some companies, in desperation, attempted to "buy" a position in the market. In September they embarked on a campaign of price cuts by granting extra discounts below published lists. It wasn't long before old line companies felt the impact and then the plywood price structure collapsed.

In three long strides, the price was carried down approximately 21%, which I am sure, gentlemen, is not more than the break-even point for many plants and plunges a substantial portion of the industry into the red.

So here is Cinderella, without her slipper and facing the grim facts of life. Her Prince Charming has abandoned her and before she finds him again she must realize that all is not a bed of roses.

From a peak of 60 million feet per week the industry production has dropped approximately 25% to 30%. It is no longer a six-day three-shift industry with hourly rated employees average annual earnings in excess of $5,000. Those halcyon days may never return. Indeed, it is my firm hope and belief that the industry will level off on a five-day two-shift schedule. If they don't, thus indicating we haven't yet learned our lesson, prices will inevitably toboggan again.

Sound and Healthy Readjustments

Gentlemen, let me say this: I think what has happened to the plywood industry is basically sound and healthy for these reasons: First, the better financed operations are undergoing a realistic shake-up from head to heels. Costs are being reexamined; dead timber and sinecures are being lopped off. Even labor is aware the honeymoon is over and that they—in competition with cooperatives—must put out more or else fall by the wayside along with their employers. Second, we have, thank God, rid ourselves forever of the boom industry label. No longer will groups of laboring people blindly barge into this industry as operators. Nor will risk capital be so eager to "Take a flyer."

Third, most constructive of all perhaps is the trend towards development of modern sales forces and techniques in those companies which will survive current adverse trends. Frankly, few companies have applied scientific merchandising in the past, as the term is generally known. Why should they? For years their major problem was to fend off the onrush of eager buyers. All of a sudden the buyers didn't appear on some doorsteps and these bewildered manufacturers, without sales forces or techniques, were temporarily out of business or forced to curtail drastically.

Finally, we have awakened to the danger of lost markets and the invasion of substitute materials. I am not prepared to say here that during this inflationary era the peak price of 1951 was too high. But, I do say that at that level we had apparently priced ourselves out of some very important markets such as sheathing, farm building, possibly furniture and others.

Let us now take up the fourth stage of this industry prognosis. You see before you the patient who is suffering from some malady. We have given you the diagnosis and now will attempt to chart the recovery.

As a first step, more detailed listing of the patient's condition is necessary. Let's face the realities; let's weigh the strengths and weaknesses.

Capacity output of the fir plywood industry — operating under forced draft at three shifts a day, six days a week—is 3,400,000,000 square feet annually. In addition, there are some 12 plants now under construction — some of them pretty well along; others just getting started. I have no sure way of knowing how many, if any, will become realities. Let's say four or five.

Let us further assume that all the plants involved will be able to get all the timber necessary to operate around the clock. I'll have more to say about timber resources later on.

Maximum Productive Capacity

For 1952, then, there is a theoretical maximum productive capacity of more than 3½ billion feet. I want to repeat that this figure contemplates pushing every panel of plywood possible out of existing plants and those yet to be completed in 1952.

That output converted back to weekly production for easy com-

Continued on page 30

*An address by Mr. Malarkey before the Investment Club of Seattle, Seattle, Wash., Dec. 18, 1951.

From Washington Ahead of the News

By CARLISLE BARGERON

A lot of this country's history has been written in recent years by socially ambitious wives. Their husbands have been dynamos in industry, have been builders, have accomplished things. But with the advent of the New Deal and the emphasis on politics, a shifting of the spotlight from the Metropolitan Opera and the clubs of New York, to the salons of Washington, all too many of these wives in their boredom have influenced their husbands to come down here and take jobs so they can meet the foreign statesmen and the journalists, the men "who are writing history."

Carlisle Bargeron

Back in the twenties the pain in the neck of our successful business men and industrialists were the European lecturers at our women's clubs. They would come over here and for handsome fees, look down their noses at the business of making money and it was not uncommon for the wives of successful businessmen, bored with their country club life, to go home after one of these lectures and upbraid their husbands for not being intellectuals, men of letters, of culture; upbraid them for just being money makers.

The smart fellows of the New Deal and the Fair Deal have preyed upon this type of woman to a fare-you-well. And the result has been that all through the most fateful revolution this country has ever known, there have been down here, participating in it, lending their names and influence to it, some of the most outstanding men in industry.

Many men of accomplishment have paid high in recent years for what is known as a place at the Washington dinner table. The rest of the country, its various communities, recognize men and figuratively place them at the dinner table according to their attainments in the school of human affairs. The banker or the builder of this and that community lives atop the hill and is greeted with respect as he walks along the streets; he is the president of the local clubs.

In Washington, protocol prevails. You rate a certain seat or place in the social whirl if you are a member of the Federal Communications Commission or the Federal Trade Commission. I know a man who is the publisher of a newspaper and the owner of a radio station in a small Southwestern community. He is worth a million dollars or so, but he is happy to be working here as a member of a commission at $12,000 a year. I asked him why and he said he wanted to give his daughters the advantages of Washington society. They may marry a Senator's son or even a diplomat's son, or at least the son of another member of a commission.

Men of real accomplishment in the building of America are here with big sounding titles, but slaves to the Fair Deal, so-called, for the same reason. You will have to ask their wives why it wouldn't be better for their daughters to marry the son of a fellow builder of America.

Now, every wealthy man, yearning for the glamor that is Washington, does not have the opportunity of being plucked by Truman to be an ECA administrator, a mobilizer or a controller or an allocationist of scarce materials, a member of a Commission or something of the sort. But there are dinner places for members of the opposition. To the outsider, Harold Stassen offers an interesting spot. Finance his Presidential campaign and while you don't rate any Washington protocol, you will find yourself being "asked out" around here, invited to some of the more riotous salons and you may very well, in the course of things, meet Dean Acheson, Mike DiSalle, Supreme Court Justices and the Senators whose names you see in the newspapers. Indeed, we have recently added to our illustrious personages whom one might meet on a cocktail party, Myrna Loy and Shirley Temple. And certainly a putter-upper of money for Stassen can meet such celebrities as Eric Johnston, to say nothing of a labor leader or two—the sanctimonious Phil Murray, scowling John L. Lewis and octogenarian, Bill Green.

I can understand it is sort of nice for a man who has become tired of talking with bankers and industrialists or kindred successful men, to meet such characters as dominate the day's headlines. To hear about the way Winston Churchill smokes long cigars, stays up all night and knocks off a bottle of brandy a day and then to meet him, even though casually, seemingly makes it worthwhile for a lot of good men to do most anything to get into the Washington swim.

This is the only way most of the Washington observers can account for the financial backing which Harold Stassen gets for his Presidential campaign. The extent of this backing has fallen off like nobody's business but it is evidence of the allurement of Washington that he still gets any at all. Be a financial backer of Stassen and meet the "big" men of Washington. You are even apt to meet Attorney General McGrath. Think what that is to tell your grandchildren about!

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William V. Stone is now with Investment Service Corporation, 444 Sherman Street.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Allan P. Locke and John F. Markham have joined the staff of Dean Witter & Co., 19 Congress Street.

Joins Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Hugh D. Haberstad is now affiliated with Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. He was previously with E. F. Hutton & Co. in San Francisco and prior thereto with Hornblower & Weeks in Chicago.

The Investor Looks to 1952

By SAMUEL C. GREENFIELD*
Investment Adviser, New York City

Terming premature current expectations of deflation, Mr. Greenfield looks for upward stock market trend, punctuated by sensitive reactions. Concludes investor should preserve ability to shop for bargains, and ride out the temporary storms.

The movement of security prices during 1952 will be determined as much by what happens in Iran, Burma, Britain or Russia as by what Mrs. Jones plans to buy for the family. The tense world situation will have a great deal to say about what Detroit produces. A carefully controlled national economy will move and shift industrial production.

Samuel Greenfield

Temporary inventory surpluses, here and there, are likely to vanish only too quickly in the period ahead. Those who view the future with today's eyes and see slashes in television prices and increased inventories in a few industries, may be in for a surprise next year.

The world is beset by fears, distrust, and apprehension. The Near-East is a tinderbox which may erupt momentarily. Relations between East and West are not even superficially cordial. In Korea, where a truce apparently is desired by both the United Nations and the Chinese, negotiations drag on and on. The atmosphere is far from friendly. This is the climate that exists. It is a condition that can result even in token disarmament.

On the contrary it will only bring on an ever growing armament race. Our factories, already partially busy with the production of military goods, will take on more as time elapses. Defense goods, now pouring forth at the rate of $2 billion monthly, will, before 1952 closes, be delivering at twice that amount.

The heavy goods industries will be most affected. Slowly, they will reduce their production of civilian goods and increase their production of tanks, guns and planes.

The automobile industry, now producing some 117,000 units weekly, down from 162,000 for the same period of last year, is being allotted enough steel to make an average 80,000 cars each week. Radio, washing machines, etc., will be similarly affected.

Even if the sharp cuts now in effect are modified somewhat, there will still be a dearth of hard goods in the year ahead. The supply will be inadequate for normal needs. The small inventories that may exist today will melt as the weeks advance. By mid-1952 a sellers' market should be in full swing.

Consumer buying may well turn to "soft" goods as it did during the last war. Savings will increase even beyond today's large figures. It is quite possible that the food and "soft" goods industries may enjoy quite a profitable 1952.

There should be full employment next year as the production of defense goods takes up the slack caused by the reduction in "heavy" consumer's goods industries. The Administration, sitting at the controls, can be expected to fill every gap.

National expenditures will be quite high and may even reach beyond revenue obtained by taxation. The Treasury may have to resort to deficit financing. Reports indicate that the national deficit for the fiscal year may reach $7½ billion.

The sum total of maximum production, shortages of consumers' hard goods, deficit financing and higher prices adds up to additional inflation. That is almost a certainty.

Corporate profits, despite the fears of some, should remain at a high level. The totals may not reach the figures of 1951. However, they should not be too far below them. Dividend payments should approximate this year's quite closely. Corporations have wisely followed a cautious dividend policy during the past few years and have ample room to maintain 1951 payments.

Security prices should rise to new high levels next year as the total "tight" picture unfolds itself. The danger of inflation, which may be even more pronounced than it was this year, should drive even more funds into securities. The pattern of small investors and large institutions seeking a safe refuge for their clipped dollars should continue. Those who foresee deflationary tendencies ahead appear, in my opinion, to be a bit premature.

Though the broad overall picture is one of higher security prices, the market will be convulsive and jittery. International crises and upheavals will be reflected in the sensitive market. The nervous reaction of market operators will likewise be recorded. The result may very well look like the cartoon caricature of a stock market chart: sharp peaks—ups and downs. But the trend should be up.

The investor will have considerable difficulty next year, especially if he is easily influenced by temporary movements. Unless he knows where he is going and what he is doing he will find himself engaged in considerable trading — with losses here and losses there.

However, if he shops carefully, buys value and sits out the temporary storms as they develop, he should end the year with a sizable profit. Buying carefully, always important, will be even more important next year. The investor should avoid "chasing" the leader of a movement and then buying at the peak. Careful looking around will usually reveal equally good securities that may not lead, but will follow.

The investor would do well to be somewhat underbought during 1952 to pick up bargains as they develop.

In summary, 1952 should see security prices reach higher levels. Those who select their securities carefully, wait patiently and sell only when their securities have been priced much too high for their value should do well.

Diversification, always advisable, is especially recommended for next year. The market is not especially known for its uniformity. The following groups appear attractive in the economy ahead: oils, rubber, steel, non-ferrous metals, farm equipment, radio and television (electronics), machinery, machine tools, chemicals, aircraft, cement, airlines, auto accessories, drugs, rail equipment, autos.

*Summary of a speech by Mr. Greenfield before a luncheon forum sponsored by Shaskan & Co., members of the New York Stock Exchange, Dec. 15, 1951.

Outlook for Corporate Bonds in 1952

Halsey, Stuart & Co., Inc., in annual year-end review, looks for some decline in corporate financing, but foresees probable continuation of large supply of tax-exempt bonds. Says augmented demand for reduced supply of corporate investments, could strengthen bond prices.

According to the annual year-end bond survey of Halsey, Stuart & Co. Inc., the supply of corporate bonds available for public investment in 1952 probably will be smaller than in 1951, and an augmented demand for a reduced supply of corporate investments could strengthen bond prices.

"As in the past decade, however," the survey notes, "the operations of the Treasury Department and the Federal Reserve System will be a major influence. Treasury deficits will mean Treasury financing and, in turn, the form this financing takes will affect the course of interest rates and bond prices."

In 1951, the year-end review states, average prices for all types of corporate bonds fluctuated more widely than in any year since 1947. "As reflected in one average which includes bonds of diverse quality, this fluctuation ranged between 103.50% and 96.70%. An average of 20-year state and municipal bonds showed fluctuations between yields of 1.72% and 2.36%. Treasury bonds, neither due nor callable within 15 years, fluctuated between an average of 101.91% and 96.16%."

Interest rates, it is noted, began to climb in 1951. On prime commercial loans the rate rose from 1¾% in January to 2½% in May, and by the end of the year it had reached 3%.

The forecast that there will be some decline in corporate financing is based on the prospect that industrial expansion shows signs of having reached a peak. Industrial demands for funds will continue heavy, but they probably will not equal demands in 1951. A reduction of pace in the defense program could also materially reduce industrial requirements. At the same time, the railroads may reduce their equipment expenditures due to lack of materials, although a moderate amount of refunding can be anticipated. The utilities' demands for funds will likely continue as expansion programs continue, it is argued.

In covering the tax-exempt field, Halsey, Stuart & Co. Inc. noted that the total volume of state and municipal bonds currently under consideration — including those in the "talking stage," and which may never be approved—is the highest on record. "Barring serious shortages of materials or the occurrence of any major crisis, the outlook is for continuation of a large supply of tax-exempt bonds." The demand for these issues will increase because the Revenue Act of 1951 makes their tax-exempt interest attractive even to those with moderate incomes, the survey continued. Some mutual savings banks are finding tax exemption profitable, since they now are subject to corporate normal taxes and surtaxes for the first time.

Private home building and the need for mortgage financing probably reached their peak in the past two years and should be smaller in volume in 1942, said Halsey, Stuart.

Looking at the past year, the survey commented that "The consumer in 1951 saved his money in an amount exceeding that of any postwar year — but the government in office showed little inclination to match his thrift. In truth, apparently the saving instinct of the man in the street revived and provided a major anti-inflation development in a year of continued corporate expansion, increased taxation, and both Federal and local government spending.

"In the face of continued inflation and the prospect of still greater inflation, the government gave little more than lip service to the curbing of inflationary pressures."

Employment, personal income and corporate expenditures on plant and equipment all reached record levels and defense spending increased rapidly, the report said.

The year-end review notes that new state and municipal financing in 1951 was close to $3.2 billion, less than 1950's all-time record volume of $3.7 billion, but more than 1949's $3 billion. However, municipal bond prices fluctuated more widely than in any year since 1940. The decline in new municipal issue volume was due largely to construction restrictions under the Federal materials allocation program, the unwillingness of heavily taxed voters to approve municipal borrowing, and—for some issues—lack of clearance by the new Voluntary Credit Restraint Committee. Revenue bonds, pledging earning power rather than taxing power, continued in favor and comprised about 20% of the total municipal volume in 1951.

Corporate financing during the year is estimated at an aggregate of about $6.2 billion, of which bonds made up about $4.6 billion and stocks $1.6 billion. The cost of corporate expansion totaled an estimated $25 billion, about $6 billion more than in 1950, and $5 billion more than in the previous record year of 1949. A substantial part of the cost was met from reserves and accumulated earnings, the survey pointed out.

The survey estimates that in the six years 1946-1951, plant and equipment expenditures have totaled well over $100 billion. "While these vast expenditures have been a tremendous influence in sustaining high business activity, they also have produced disquieting implications because so much of the expansion hinges upon continued public acceptance of large-scale appropriations for defense and foreign aid," the survey warned. "Without great defense appropriations, there is a question whether or not the economy could utilize its added industrial capacity. A return to more normal expenditures could react on all business activity, and certainly on industry's demand for funds."

The year-end review finally notes that the intent of the Federal Securities Act was circumvented by the private placement of securities totaling over 50% of the year's bond offerings.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing as of Dec. 27, 1951, are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	48
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	45
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	43
Serlen (Capt.), Gold, Krumholz, Young, Gersten	39
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	39
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	38
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	37½
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	37
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	34
Burian (Capt.), Siepser, Gronick, Growney, Kaiser	31½
Greenberg (Capt.), Siegel, Cohen, Sullivan, Voccoli	31
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	27

Five Point Club
WILLIE KRISAM

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago announces the following candidates selected by the Nominating Committee to serve as officers for the coming year:

Donald R. Muller

Milton J. Isaacs

Roy B. Sundell

Elmer W. Hammell

President—Donald R. Muller, Harris, Upham & Co.
Vice-President—Milton J. Isaacs, Straus & Blosser.
Secretary—Roy B. Sundell, Greenebaum Investment Co.
Treasurer—Elmer W. Hammell, Shillinglaw, Bolger & Co.

The Club will hold its annual midwinter party at the Furniture Club, 666 North Lake Shore Drive, on Jan. 28.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold its annual winter dinner on Feb. 11, at the Copley Plaza Hotel.

With Shields & Company

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Sam I. du Bose is now with Shields & Company, Cox Carlton Hotel.

Mutual Savings Banks—Their Prudence and Progress

By IRA U. COBLEIGH

Author of "Expanding Your Income"

An appraisal of savings banks today, as a refuge for the thrifty, and as warriors against inflation.

Couldn't think of a better way to start the New Year than to talk about thrift — yours, mine and everybody's. Since it's no longer legal to hoard bags of gold in the cellar, and the fire and theft hazards are too ominous, when a bale of saw-bucks is stashed away in a mattress, the number one American deployment of surplus dough is now into banks for savings. The most revered of these, are so-called mutual savings, which do no commercial banking whatever, but exist solely to provide our citizens a safe place for storage of money, the gleaning of interest, and the accessibility of same on demand. Mutual savings banks, moreover, are not owned by shareholders, but by their depositors, who elect trustees responsible for bank management.

Ira U. Cobleigh

Best known in the Northeast of the United States, these mutual savings banks have had a marvellous record for solvency. For instance in New York State, during the dismal depression thirties, when some commercial banks and other types of lending and deposit institutions were closing, every single savings bank stayed open; and every depositor who wanted his money got it, and in full. No wonder our citizens have such an abiding faith in these banks — no wonder many states have laws restricting the words "savings bank" to these mutual institutions dedicated to the most conservative investment techniques. A savings account has come to be the first bulwark of dollar defense for the average man; and together with insurance and home ownership usually constitutes the base of however lordly a financial edifice the individual may, in due course, erect.

Seventeen states now have mutual savings banks, and their total deposits today are over $20½ billion. As these banks have grown, they have not only remained Gibraltars of security to depositors, but have played a vital part in our whole enterprise economy. Their bond investment has financed the development and expansion of our corporations, municipalities and government; and their vast reservoir of mortgage money has made possible home ownership for hundreds of thousands, and the metropolitan monoliths which house the offices of our corporate creatures of commerce and industry, great and small.

So, when that little underclothed Cupid nudges 1952 onto the pages of history, our savings bankers may well be proud of their granite beehives. They've done a swell job and enjoy a public confidence envied by politicians, pollsters and pitchmen.

The biggest problem for savings banks, however, is that old "debbill" inflation. While these institutions have come up with a virtually perfect record in the preservation of principal sums, plus the expanding qualities of compound interest through the years, they have been unable either to offset the steadily lower buying power of the dollar units lodged with them, or to pay out higher interest rates in keeping with elevated living costs.

Thus a defense against inflation is a must; and some real progress in this direction seems predictable for 1952. First of all, the crack in the bond market of last spring is now assuming the proportion of a major fissure; and acquisitions to bond portfolio in 1952 may yield as much as ½% above 1951. Mortgage rates should also fatten up. And, finally, let's talk a bit about common stocks. Getting back to those 17 states, 11 now permit savings banks to buy common shares.

The reason is obvious, and in line with the main stream of current investment thinking. Good commons yield between 5½% and 6%. Many fine companies have only one class of securities—common stock—and they build into that vehicle the qualities of a good bond or preferred. Many commons have paid dividends for a score of years and more, so that dividend income seems solidly assured. Also common shares can do something bonds never do—pay extras! The more exalted yield, conservative possibilities for capital growth, and a program of diversification, suggest the entire suitability of prime commons for saving institution investment. In New York State, a bill will be offered in January permitting investment in equities up to 50% of surplus, or 5% of deposits. Should this bill pass, another bridge will then have been crossed in making common shares socially acceptable; and higher savings bank interest possible.

To those who, like Mr. Funston, believe that the best bastion against Socialism is a wider stock ownership, this trend to institutional equity purchase is constructive, politically as well as financially. But more work must still be done by the savings bank fraternity. If they are now willing to buy common stocks themselves, they ought to be just a little more cooperative when a depositor inquires about buying a few shares of General Motors or American Tel. & Tel. Why not have a reading room where savers can paw over Moody or Standard Statistics; where annual reports of leading companies are on file, and where, on the table, is a list of the common stocks the bank itself has bought, from which depositors might like to select? Let's face it, depositors haven't had much guidance or encouragement up to now from savings bankers about their stock purchases. Wouldn't it be a public service to supply the depositor, who naturally relies on his bank for financial wisdom, the current and correct facts about shares that interest him?

Although thrift seems less stressed as a virtue than in days of yore, our savings banks are still doing a fine job of indoctrination, starting with the school banking clubs, and moving on to Vacation and Christmas Clubs. They urge you to save for a home, a car, for education, a television, but I think they ought to go one step further. So, for 1952, I offer this brand new savings bank slogan—"Save for Security—then Save for Securities." Isn't it as rewarding to squirrel away for a hundred shares of Socony Vacuum as for a new Buick?

Let's start 1952 with a reaffirmation of our American tradition of thrift; with a new appreciation of the prudence and progress of our savings banks. Let's hope, too, that savings banks, by gleaning better returns on investment (plus the pressure of the new tax law) may see the wisdom of paying a more bountiful interest rate, and that State Bank Commissioners will not deter them from doing so within proper limits. Finally, let's recognize frankly that mutual savings banks always offer something that the stock market never can—freedom from fluctuation.

Coffin & Burr Name Two Vice-Presidents

BOSTON, Mass.—Coffin & Burr, Incorporated, announce that William S. Webber, Jr., their New England Sales Manager, and Charles L. Skinner, Manager of the Municipal Bond Department in New York, have been elected Vice-Presidents of the firm. Mr. Webber makes his headquarters in the firm's Boston office, 60 State Street. Mr. Skinner is at the firm's New York office, 70 Pine Street.

Cherry, de Bary Are F. S. Smithers Partners

F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announced today that Thomas C. Cherry and Marquette de Bary have been admitted as general partners in that firm. Mr. de Bary is Manager of the firm's Municipal Department.

Bleakie New England Sales Mgr. for Hutton

BOSTON, Mass.—W. E. Hutton & Co., members of the New York Stock Exchange, have announced the appointment of John M. Bleakie as Sales Manager of the firm's New England organization. Mr. Bleakie, who has been with the firm for some time, makes his headquarters at the Boston office, 75 Federal Street.

J. F. Paisley With Weeden & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. Foster Paisley has become associated with Weeden & Co., 650 South Spring Street. He was formerly in the trading department of the First California Company.

Two With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James F. Ferron and Gilbert C. Lamb have become associated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. Mr. Ferron was formerly with Sutro & Co.

John W. Watling

John W. Watling, partner in Watling, Lerchen & Co., Detroit, Mich., passed away Dec. 22.

Social Security and the United States Economy

By M. ALBERT LINTON*

President, Life Insurance Association of America
President, Provident Mutual Life Insurance Company

Prominent life insurance executive, in calling attention to increase in persons over 65 years and their support through old age pensions and social security, warns reduced ratio of economically producing population to grand total may adversely affect general living standards. Advises problem be studied by a non-political commission, and advocates putting Federal Government's share of Old Age Assistance under Old Age and Survivor's Insurance so as to place this field of Social Security on actuarial basis. Warns high level social insurance benefits kill incentives to work.

The industrial revolution, medical science, and a continuing rise in living standards have created problems of old age that will be confronting this country with increasing intensity for as long as we can now see into the future.

M. A. Linton

A hundred years ago there was no significant old-age problem. Only 2.4% of the population were aged 65 or over. The old people were mostly able to find places in family homes, many of them on farms where they could help with the chores as long as they were in good health. The rocking chair by the fireplace or the kitchen stove was a symbol of the place in the family of the aged father or mother of that day.

As industrialization advanced, workers moved from the rural areas to the cities and became dependent upon cash wages from commerce and industry. Houses were smaller, with little room for the old folks. Even where there was room there was little useful work for them to do.

All the while more and more people were escaping the diseases of childhood and middle life and surviving to old age. By 1900, the percentage of persons aged 65 or over had risen to 4.1%. Now it is 8.3%. By 1975, it may be up to 10% or 12%. Translating percentages into amounts, today there are 12½ million people over 65 in this country. In 1975, there may be 13 to 20 million.

Although older people have been steadily increasing in numbers and in relation to the entire population, the consequent economic burden of old-age dependency has been offset by a marked decline in the proportionate number of children. In 1900, children below the age of 20 made up 44.3% of the population. Fifty years later the figure had been reduced to 34.2—the decrease far outweighing the increase in the proportion of persons aged 65 or over.

When we relate the number of children below 20, plus the number of persons 65 or over, to the number aged 20 to 64, we find that proportionately the total has been decreasing until about four years ago. Then the increased birth rates of the last decade began to tell and a low point was reached in the proportion of persons in the two groups at the extremes as related to the group aged 20 to 64. Since then it has been on the upgrade.

The Dependency Ratio

This picture, however, does not tell the whole story because it does not reveal how many of those in the groups were gainfully employed. The relationship of the number of nonworking persons to those of all ages who are working is known as the dependency ratio. This, too, has been going down. At the Conference on Aging held in Washington in the summer of 1950, it was brought out that in 1890 there were 180 dependents for every 100 workers. In 1950, this had dropped to 140. Now this ratio also is tending to level out and may even have turned upward. The decreasing dependency ratio which contributed to the increasing prosperity of the last half century seems destined to be replaced by an increasing one. The economic significance of this change is something to be considered with great care.

For example, the living standards of all of us, young, middle-aged and old, depend obviously upon the volume of goods and services produced by those of the population who are working. Therefore, the amount of goods and services required by the nonworking groups will at any given time have its effect upon the standards of living of the entire population. This clearly underlines the importance of utilizing to the utmost the productive abilities of as large a proportion of our people as practicable. Only about 43% of men aged 65 or over are now gainfully employed, as compared with 68% 60 years ago. We would therefore do well to attempt to find out why the proportion has decreased and whether there is any way by which it can be raised to former levels.

In recent years more and more attention has been devoted to this subject. Much of the drive for compulsory retirement at age 65 arose out of the depression years of the 1930s. There were then not enough jobs to go around. Retirement of the old people made it possible for the younger people to find employment. However, under a normally functioning economy there should be work for all willing and able to work. Productive activity for persons desiring to work in the later years of life should therefore be the objective, not a life of enforced idleness.

To achieve this goal is easier said than done. The necessity to increase efficiency in production in a competitive enterprise system stimulates pressure for the retirement of older workers who slow down with increasing age. Younger workers approve as it increases their opportunities for advancement. To meet the situation, different kinds of work should in many instances be found for the older workers and their hours of work shortened. Mostly this would involve finding employment with new employers or developing various kinds of self-employment. Society has barely scratched the surface of this large and complicated subject despite the fact that it has been the theme of many conferences of social workers, employers, employees, medical men, and others interested in the problems of aging. Perhaps a qualified non-political commission set up by Congress could help in pointing the way toward a constructive program and bringing it forcibly to the attention of the country.

Why Compel Older Workers to Retire?

Professor Sumner Slichter of Harvard University has been most outspoken in opposition to the practice of compelling older workers to retire and live in idleness. From the economic point of view alone, he points out how wasteful the practice can be. According to his estimates those over 65 who are working are producing annually some $10 billion worth of goods and services. If those people were idle, the working force would have to shoulder an additional old-age dependency burden approaching that amount. Output per man-hour, or hours of work, would have to be increased to prevent the average standard of living from falling.

Professor Slichter further estimates that if the proportion of men aged 65 or over in the labor force were increased from the present 43% to 60%, the output of the country would be increased by $3 billion. This would enable the standard of living to rise by more than 1.1%. That may appear to be a small figure. However, he reminds us that it is more than half the annual interest on the Federal debt. Beyond that economic fact, it would give hundreds of thousands of men the satisfaction of working and would reduce the number of years they would have to spend in retirement.

The years after retirement at 65 are frequently pictured imaginatively as years when people can do so many of the things they "always wanted to do." Go fishing or to the ball games, travel abroad, or just loaf at home tending one's garden or reading books one has always wanted to read but didn't have the time. All of these sound alluring to the younger workers. However, the attitude of the great majority gradually changes as the 65 deadline approaches. In the first place, the prospective retirement income may not afford much leeway for more than the bare necessities of life. In the second place, and most important, very few have prepared themselves to do anything useful. Hence retirement gives them a feeling that they are of no more value to society. This can have serious consequences leading to unhappiness and ill health.

A most important part of the work of the personnel department of a business organization is to counsel with employees several years before retirement is to take place. A number of concerns have prepared special booklets on the subject. In addition, useful books available to the general public have been published. These deal, among other things, with the problems of finding different kinds of work to do, developing hobbies, some of which may produce incomes, serving civic or philanthropic bodies, and in general finding ways of making worthwhile contributions to society. With adequate preparation a person will be able to live many happy, useful years in the sunset of life following formal retirement from his regular job. At the same time he may also be able to do some of the attractive things portrayed by the retirement income advertisements. However, they will be secondary. Doing something useful in the world is likely to be the paramount consideration. In the words of the Greek physician Galen centuries ago "employment is Nature's best physician." Indeed man does not live by bread alone.

Income in Old Age

Although material support alone may not suffice to make people happy in retirement, the absence of such support can be tragic. The dire straits of the old people in the depression years of the 1930's attested to that. The economic and political consequences of that situation have been far-reaching. In a democratic society millions of persons, through no fault of their own, can not be thrown into conditions of poverty without their attempting to remedy matters through the ballot box. Old age distress and hardships of widespread unemployment led to the demand for social security legislation. Certainly as long as our industrial civilization has in it the possibility of another serious depression, social security will be with us. Fear it as we well may because of its totalitarian aspects, social security is one of the inevitable prices we have to pay for industrialization.

However, in order that it may not become a threat to our democratic institutions it must be controlled and held to its proper function of providing a reasonable basic of protection for its beneficiaries. Making its benefits adequate for comfortable living would place in the hands of the political government so much power over the individual citizen that any party, desiring to do so, could abuse that power and keep itself in office long enough to destroy the checks and balances provided by the Constitution to prevent the rise of tyranny and dictatorship. In order to protect our individual liberties, therefore, ample opportunities must be available for the exercise of thrift and individual initiative in providing additional security over and above what the governmental plan provides.

The old age security program adopted in 1935 was set up under the pressure of the depression. Because of the superficial resemblance of its benefits to those provided by private life insurance it followed too closely in some respects the principles underlying life insurance designed for the individual policyholder. As a result the old age benefits paid to those retiring in the earlier years of the system were much smaller than those to be paid to persons with the same average wages retiring many years later. For example, a worker who earned an average of $200

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*An address by Mr. Linton before the 45th Annual Meeting of the Life Insurance Association of America, New York City, December 12, 1951.

The Free Market in Sterling

By PAUL EINZIG

Commenting on action of British Government to permit private dealings within limited fluctuations in foreign exchange, Dr. Einzig says it is only a minor victory toward free market for spot sterling, since it is merely a change in form and not in substance of existing controls. Sees, however, a substantial victory for free exchange advocates in the removal of all controls on sterling forward exchanges.

LONDON, Eng.—The decision of the British Government to permit private dealing in spot and forward exchanges, and to widen the range of permitted fluctuations of the spot rate to about 1% above and below par, constituted a compromise between two schools of thought within the government. One of them, headed by Mr. Oliver Lyttelton, was in favor of allowing sterling to find its own level. The other, headed by the Chancellor of the Exchequer, Mr. R. A. Butler, was in favor of awaiting developments before making any changes in foreign exchange policy. Pressure on the government to permit unlimited fluctuations was considerable. Many Conservative quarters felt that, since the government was unable to remove controls in other directions, it ought at least relax them in the sphere of foreign exchange dealing. Others, while opposing unlimited fluctuations, favored the establishment of a range of about 10% on either side of the parities.

Dr. Paul Einzig

The change decided upon by the government constituted undoubtedly a minor victory of the school favoring free exchanges. It was, however, a victory in respect of the form of exchange dealings rather than in respect of their substance. For one thing, restrictions on exchange dealings have only been relaxed in so far as it has been technically necessary to enable the banks to work the foreign exchange market. To that end they are now allowed to carry on certain transactions on their own account, which were formerly not permitted. As far as foreign exchange operations of the banks with their clients are concerned, the situation is substantially the same as it was before Dec. 17. It is true, the banks are now allowed to sell foreign exchanges to their clients without having to apply first to the Bank of England for a permit. In substance, however, the situation remains the same, only instead of the Bank of England it is the authorized banks who have to interpret the exchange regulations under which they have to grant or refuse the applications of their customers for foreign exchanges. Moreover, the banks will consult the Bank of England concerning doubtful "borderline" cases. Finally, they will have to submit to the Bank a list of the transactions with their clients, so that all that has happened is that the Bank of England's scrutiny takes place after the transaction instead of before it.

As for the arrangement under which spot rates can now move within a range of 1% on either side of par, it is again a matter of form rather than one of substance. The spread of 2% between the maximum and minimum limit is only slightly wider than was the spread between the gold points under the gold standard. It cannot be claimed, therefore, that sterling is now allowed to fluctuate freely, any more than it was allowed under the gold standard. In substance those opposed to any change in the gold value of sterling have won.

The only respect in which the supporters of free exchanges have scored a substantial victory was in respect of forward exchanges. While spot rates remain confined to within narrow limits, forward rates are allowed to fluctuate without any official limits whatever. It is true, dealing in them is no more free, in the real sense of the term, than in spot exchanges. The British banks are handicapped in any international arbitrage operations by the fact that they are not allowed to keep on their own accounts large balances in foreign centres. As far as the forward rates are concerned, however, their fluctuation today is as free as it was before the war.

Already the first week of the operation of the new system showed that forward rates are inclined to take advantage of their newly-won freedom and move within wide limits. This is no wonder, in view of the persistence of the speculation on an early devaluation of sterling. Yet it should stand to reason that, had the government been harboring any such intentions, it would have decided on devaluation simultaneously with the reforms introduced on Dec. 17. The market showed itself, however, distrustful, judging by the abnormally wide premium on forward dollars.

Under normal conditions the discount or premium on forward exchanges should tend to be equal to the difference between the short-term interest rates prevailing in the centres concerned. In present conditions, however, the tendency toward the adjustment of rates to their "interest parities" is handicapped by the restrictions on the amounts of balances the British banks are entitled to keep in foreign centres for the purpose of interest arbitrage. In the absence of such a restriction the large profit that could be earned as a result of the wide premium on forward dollars would have resulted in the transfer of very considerable amounts, and the sale of forward dollars resulting from such operations would have counteracted the speculative selling of forward sterling. As it was, speculative sellers of forward sterling had to find other speculators willing to buy forward sterling—at a price.

It is true, foreign banks with sterling balances are entitled to transfer these balances—subject to the existing regulations—to take advantage of the high yield on swap operations of buying spot dollars against the sale of forward dollars at a big premium. But during the speculative wave that preceded the reforms of Dec. 17 they had already depleted their sterling balances. The only way in which foreign banks could engage in interest arbitrage on a large scale would be through borrowing sterling in London in order to sell the spot exchange against the purchase of forward exchange. This is not permitted, however, under the exchange regulations.

One of the major advantages of the new arrangement is that under it the British monetary authorities are in a position to engage in active intervention in the foreign exchange market. Hitherto their role was entirely passive. They bought the foreign currencies offered to them, and sold the foreign currencies applied for, at fixed rates. Now they will be able to take the initiative and intervene in the market when they consider it expedient to influence the trend. Unfortunately the narrow range of the fluctuations of the spot rates gives very little scope for "squeezing" the bear speculators. If the range were wider the authorities would be able to frighten bears into covering by causing spot sterling to appreciate materially. They would be in a position to operate in that sense in the forward market, because there the rates have declined to an extent which renders speculators vulnerable. The British authorities were, however, unwilling to operate in forward exchanges before the war, and there are no indications so far that they have changed their tactics in this respect.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

James D. Casey, Jr., retired from partnership in Blunt Ellis & Simmons Dec. 31.

William J. Minsch retired from partnership in Robert Garrett & Sons Dec. 31.

H. P. Glendinning withdrew from partnership in Robt. Glendinning & Co. Dec. 31.

Henry S. Bowers retired from Goldman, Sachs & Co. Dec. 31.

Arthur H. Gilbert retired from Spencer Trask & Co. Dec. 31.

William H. Brand and Ludlow F. North, general partners in Robert W. Baird & Co., become both general and limited partners Jan. 1.

Maurice A. Gilmartin, general partner in Chas. E. Quincey & Co., became a limited partner effective Jan. 1.

Brandi President of Dillon, Read & Co.

Election of Frederic H. Brandi as President of Dillon, Read & Co., Inc., 46 William Street, New York City, has been announced by C. Douglas Dillon, Chairman of the Board of Directors. Mr. Brandi succeeds Charles S. McCain, who has retired as President, but who will continue as a director of the investment banking house. Mr. Brandi has been associated with Dillon, Read & Co. since 1927 and has been a Vice-President since 1937.

Frederic H. Brandi

Neuendorf Opens

(Special to THE FINANCIAL CHRONICLE)

BATAVIA, Ill.—Louis E. Neuendorf is engaging in the investment business under the firm name of Louis E. Neuendorf Investment Securities, from offices at 17 South Batavia Avenue.

"Our Entire Economy Is Based On Instalment Buying"

By PAUL M. WELCH*

Chairman, Committee on Consumer Credit, American Bankers Ass'n
Vice-President, Citizens and Southern National Bank, Atlanta, Ga.

Asserting instalment lending is a fundamental "must" in our economy and, when soundly administered, creates real savings factor in the economic set-up ABA chairman on consumer credit points out banking is now a major factor in this field. Reveals tremendous growth of instalment credit, and urges large banks develop a continuing market for financing durable goods at a local level. Concludes instalment lending is now major function of modern banking.

We are living in a confused world—not at war, not at peace, not masters of our own lives or businesses. Some call it a "controlled economy." However, I would like to call it a "confused economy."


Paul M. Welch

I have faith in man and believe that most Americans are honest and God-fearing people. Some mature thinking, with confidence in the long range future of our country, should be the order of the day. Leadership in all lines of business that is predicated on some of the basic philosophies and principles of our grandparents is sorely needed.

Let's begin with this simple premise which is so basic that it is not even debatable. Our entire economy is predicated on instalment buying. As a nation, we have achieved heights of production which make it absolutely impossible for us to absorb that which we can produce unless commodities are purchased in the greatest measure on an instalment buying plan. Our highly vaunted standard of living, the highest in the world, is made possible only through the ability of the wage earner to buy, use, and enjoy while paying.

Visualize a condition where we say to the American buying public: "Every one stop buying until you can buy on a cash basis. Save—then buy." What happens? The production wheels stop. Unemployment ensues. No one has the capacity to save, so no one can buy. It is just that simple to prove the principle of instalment purchasing.

Critics fail to recognize that every credit transaction involves a "mortgaging of the future." whether repayment is on an instalment basis or not. Every business man who enters into any long time purchase contract or who rents or leases any piece of property "mortgages the future." He commits himself to make future payments, usually out of anticipated income. He would not do so unless he had confidence in the future; in the stability of our country, our government; and above all else, confidence in his own ability to earn an income under our competitive system. We who lend money to him have similar confidence, and in addition we have made a careful examination of the reasonableness of his expectations. Such confidence is good. Without it we would have no banks, no credit, no money; and we would be reduced to barter economy. The wage earner, the head of the family who uses instalment credit, admittedly mortgages his future income, but only when he has confidence in the future, without which we would have no mass production of goods and equipment.

*An address by Mr. Welch before the National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 4, 1951.

Instalment Credit Is Sound

The use of instalment credit, as such, is completely sound. When a family buys a refrigerator, washing machine, vacuum cleaner, automobile, cookstove, and the like, it actually purchases an extended period of services covering five, ten, or more years. When such durable goods purchased on time are owned free and clear at the end of one, two, or three years, their purchase on credit has been an act of real savings, in an amount which could have not have been saved in any other manner.

The word "consumer" appears to be a very misleading word in relation to the instalment lending industry. It implies something that is immediately consumed or destroyed. "Instalment" lending spreads far beyond and, in fact, is concerned very little with that which is immediately consumed or destroyed. It deals primarily with the durable commodities, which have life well beyond any required period of repayment in vogue today.

Instalment lending is now recognized as an important banking function on a natural basis; yet there seems to be little recognition of the social significance attached to this class of banking at the senior level of thinking in a great many banks. Many seem to forget that not too many years ago people had little confidence in banking. The people of this country still have the right to do business with whom they please and to satisfy their financial needs at the lending institution of their choice. Because of the progressive thinking and planning of many bankers throughout the country, a vast segment of people, and in increasing numbers, are choosing banks in their local communities to take care of these needs. They are gaining more and more confidence in banks, and have the right to expect to be served. However, many of these banks are finding it increasingly difficult to serve properly all their customers. This is not only for the reasons of lack of manpower, the training of the inexperienced, and all their other operating problems; but in addition they now have the severe problem of keeping their loan portfolios in proper balance with their capital and deposits.

Bankers Should Supply Consumer Credit

Bankers have the obligation of providing the needed credit, not for just the select few, but for the majority of the creditworthy people of their communities. The people have the right to expect their bank to serve them properly. Yet some of our largest banking institutions today fail to recognize the need to counsel with their correspondents regarding this vitally important class of lending.

Picture, if you will, a small or medium-sized bank in any average community in America—one which is honestly trying to build the character of its area and has gained the confidence of its populace by properly administering sound credit to them as individuals. Picture such a bank having to say to John, Mary, or Joe, whose credit reputations are good, whose needs are recognized, and who have been in the habit of using credit wisely: "Sorry, John. We have no money available for you today. Come back next week and maybe we will then be able to take care of you." Or, worse still, picture the bank just saying "No" without an explanation. Do you not think that should this become necessary to any major degree, in any given community, the feeling of security and confidence in the local bank might disappear overnight?

Picture a small merchant or dealer selling durable goods at the retail level who comes in to his friend the banker for assistance, only to be told the bank has a full loan portfolio, and even to be directed elsewhere for his credit needs.

What do you think is entering the minds of many manufacturers of durable goods today when this is called to their attention? Many have already been in touch with your Committee on Instalment Credit seeking information on the subject and suggesting that wheels be put in motion now to provide some relief. It is becoming increasingly important to such manufacturers, as quite obviously they cannot spread their present free cash balances to these various banks. Some have already talked of having to relieve the pressure, in some manner, in certain areas to provide a continuing market for the sale of their products.

Is it not the responsibility of banking, and particularly the larger metropolitan institutions, to provide the leadership, and to counsel with their smaller brothers and assist in providing a continuous sound lending service for the deserving people of their various communities?

The need is becoming increasingly greater each week and month. We need and must have the confidence of the public, without which we will wither and die. If we permit the present trend to continue to prevail, the people will demand and will receive assistance from some Federal lending agency glad to have another channel through which to prove that government serves best.

Instalment Credit Growth

Instalment lending outstanding, in all classes, in banks of the country grew from approximately $250,000,000 in 1936 to $1,900,000,000 in 1941. In 1945 it had reached a low of $835,000,000, when the real transition took place; as of September, we have outstandings of $5,800,000,000, representing active borrowings of approximately 20 million individuals. The vast majority of this credit is extended on durable goods. The result of the switching of much of this portfolio from some other lending institutions to banks has pointed up the need for a much closer relationship among manufacturers, distributors, and the banks specializing in this instalment lending field.

Just a very short span of years back, the relation of manufacturers to banks was limited in the main to the major institutions in the area or areas of their manufacturing plants. The majority had little actual contact with the banks of the country. Now they have become vitally interested in banking as a whole as a sales tool sorely needed to serve their distributing organizations with the needed credit for the distribution of their products. Manufacturers of durable goods fully recognize they earn no profits at the point of production, but only when their

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Kellam Hooper has been appointed Vice-President of the **Bank of New York and Fifth Avenue Bank of New York**, and G. L. Sheldon has been made Comptroller, it has been announced by A. C. Simmonds, Jr., President. Mr. Hooper joined the bank in 1938 and is in charge of the Middle South, Southwest, and Far West territory. Mr. Sheldon became associated with the bank in 1926, and had been Assistant Comptroller since 1949. Other appointments were Karl A. Simson, Assistant Vice-President, and Eugene Van Ness, Assistant Treasurer.


Kellam Hooper


G. L. Sheldon

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Marine Midland Corporation (New York) management announced on Dec. 24 further changes in its official personnel which would become effective at year-end, in addition to the recent election of Baldwin Maull as Executive Vice-President. It is stated that because the service activities of its affiliate, Marine Midland Group, Inc. will be substantially assumed by the corporation, an Advisory Board for the corporation has been formed consisting of the Presidents of the 14 **Marine Midland Banks** and others who have been directors of the affiliate. The Marine Midland Banks serve 54 New York State communities through 113 offices. George E. Becker, who has served as President of Marine Midland Group, Inc., since its organization in 1929, becomes Chairman of the corporation's Advisory Board. Edward C. Gruen, Treasurer of the corporation, assumes the additional office of Vice-President. The Board also elected the following additional officers, most of whom have been transferred from Marine Midland Group, Inc.: Vice-Presidents, Douglas A. Freeth, William T. Haynes, Thomas Keator, Howard F. Vultee; Assistant Vice-Presidents: George H. Auffinger, George K. Connell, William B. Derrick, Frederick L. Holzer, Raymond P. Hummell, George Bertrand Paull, John P. Sullivan; Assistant Secretaries: Walter H. Boyd, Albert P. Roesch, Joseph H. Scarlett.

* * *

At the regular meeting of the board of directors of **The National City Bank of New York**, held Dec. 26, Alexander D. Calhoun and Leonard N. Johnson were appointed Vice-Presidents. Mr. Calhoun, a native of Philadelphia, joined National City's affiliate, the International Banking Corp., in 1919. Branches of the I. B. C. in the Far East were taken over as branches of the bank in 1927. Mr. Calhoun's career with the bank has been in the Far Eastern branches. He was Manager at Manilla at the time of the Japanese occupation, when he was interned with his entire staff. In September, 1945, he was appointed Supervisor of China and Philippine Islands branches resident in Manila. He was appointed resident Vice-President in December, 1946. Mr. Calhoun will continue to be assigned to the Far Eastern District.

Mr. Johnson was born in Baltimore. He joined the International Banking Corp. in 1922 in foreign service training and was assigned to London, then to Bombay, in 1923. He remained in Bombay until 1928 becoming sub-accountant. He served as accountant at Calcutta from 1928 to 1931, transferred to Shanghai and then went to Hong Kong as Sub-Manager from 1933 to 1936. Subsequently he returned to Shanghai as Sub-Manager and returned in 1941 to Head Office as a member of the Overseas Division. He was appointed Assistant Vice-President in July, 1944, and since August, 1950, he has been assigned to the Tokyo Branch of the bank. As Vice-President Mr. Johnson will continue to supervise the operations of the bank's branches in Japan.

* * *

S. Sloan Colt, President of **Bankers Trust Company** of 16 Wall Street, **New York**, announced on Dec. 31 the election of Edmund G. Farrell and Arthur W. Schlichting as Vice-Presidents. Mr. Farrell, who is an officer of the Corporate Trust Department, came with the bank in 1922. Mr. Schlichting joined the bank in 1915 and is in the Bond Department.

* * *

Otto Strippel, Vice-President, Treasurer and trustee of **Central Savings Bank of New York City**, sets a service record the present month (January 1952) when he begins his 48th year with the bank. Mr. Strippel joined the bank in 1904 as clerk. In January, 1927, he was appointed Treasurer and was elected Vice-President in January, 1938. In January, 1942, he was named trustee of the bank and has held all three posts at the bank for the past ten years. Mr. Strippel is a graduate of New York University and is a certified public accountant.


Otto Strippel

* * *

Arthur S. Kleeman, President of **Colonial Trust Company, of New York**, has announced the promotion of Gilbert F. Barnard to Assistant Vice-President. Mr. Barnard was previously Assistant Secretary and Assistant Treasurer. George Ryan and Roger Brady were named Assistant Secretaries and Assistant Treasurers. Mr. Brady had been Assistant Controller. John Rand was elected Credit Manager, International Division, and Henry Schmidt, Credit Manager, Domestic Division. Alfred Karnbach was named to the newly created post of Assistant Public Relations Officer.

* * *

Guaranty Trust Company of New York and **The Mutual Life Insurance Company of New York** announced on Dec. 28 that a sale to the Guaranty Trust has been arranged of the former home of office property at 34 Nassau Street of the Mutual Life Insurance Co. The plot contains approximately 60,000 square feet of land. Assessed value of the property is $7,525,000. Purchase price was not

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Public Bonds for Private Purposes

By ROBERT L. MITCHELL, Esq.*
Of Mitchell & Pershing, of New York

Municipal bond expert reviews origin and development of municipal bond issues for industrial plants to be leased to private corporations. Approves action taken at recent IBA convention condemning practice, but calls attention to "peculiar conditions" justifying such a program. Cites factors to be considered by bankers in matters pertaining to this class of municipal obligations, and reveals U. S. Supreme Court's decision that state or municipal bonds issued for operation of business are not tax exempt.

Many of you may wonder why I am discussing this subject of "Public Bonds for Private Purposes," that is, for manufacturing and industrial plants, in view of the action taken by the Investment Bankers Association at its Annual Convention in Florida the last of November. You have doubtless read the resolution, calling attention to the dangers and recommending extreme caution in this type of financing, which was prepared by the Municipal Securities Committee and approved by the Board of Governors and adopted by the members of the Association in open meeting. I was asked to speak on this subject a few weeks before the convention, but after the convention I suggested to a member of your Program Committee that the resolution adopted by the IBA spoke for itself very strongly and that I should not attempt to discuss the matter. He replied that it was a very live subject, and that many of you had not attended the convention and would be glad to hear my comments on the resolution and some of the reasons for its adoption.

Robie L. Mitchell

Origin of Financing

This movement to authorize municipalities to issue bonds for manufacturing and industrial plants to be leased to private corporations in order to induce such corporations to locate in the municipalities started in Mississippi in 1936. The Mississippi Legislature at a special session in that year enacted a law authorizing the issuance of **general obligation** bonds, declaring in the act that

"the state public welfare demands and the state public policy requires:

"(a) That agriculture be balanced with industry. . . .

"(c) That the present and prospective health, safety, morals, pursuit of happiness, right to gainful employment and general welfare of its citizens demand, as a public purpose, the development within Mississippi of industrial and manufacturing enterprises, . . ."

In 1938 the Supreme Court of Mississippi sustained this legislation and held that the provisions authorizing the levy of taxes for the bonds did not violate the due process clauses of the State and Federal Constitutions. The opinion of the Court in this case is very lengthy and cites many decisions of other courts, including the Supreme Court of the United States, to support its conclusions. In July of last year the Court of Appeals of Kentucky sustained an act authorizing **revenue** bonds of cities for this purpose, and held that the bonds did not violate the constitutional provision prohibiting a city from loaning its credit to any corporation or individual. I observed these decisions when they were reported in the advance sheets of the reporter system, but I did not then pay any particular attention to the matter other than to enter the cases in my card index digest.

*An address by Mr. Mitchell before a luncheon meeting of The Municipal Forum of New York, Dec. 20, 1951.

Court Decisions

A few months later there was reported an advisory opinion of the Justices of the Supreme Court of Alabama sustaining an act providing for the creation of industrial development boards in cities with power to issue their own bonds for this purpose. Upon reading this advisory opinion it will be observed that the Court treated these boards as separate and distinct entities from any city or political subdivision. They probably could not qualify as political subdivisions within the Port Authority and Triborough income tax decisions. Apparently in an effort to overcome this difficulty, the Alabama Legislature at its regular session this year passed an Act (Act No. 756, House Bill No. 733) to authorize the **cities themselves** to issue industrial revenue bonds, so that the bonds would be obligations of a political subdivision and the interest exempt from Federal income taxes. The constitutionality of a companion bill in the Senate had previously been sustained in an advisory opinion of the Justices of the Supreme Court of Alabama.

Next came a decision of the Supreme Court of Tennessee sustaining a proposed issue of "Industrial Building Revenue Bonds" of the City of Elizabethton to be issued under a 1951 act for the purchase of a site and the erection thereon of an industrial building to be leased to a certain corporation for manufacturing, industrial and commercial purposes.

What's Wrong With Such Financing?

Is there anything wrong with this type of financing? Why should we be disturbed if the bonds are sustained on every constitutional ground by the Supreme Court of the state in which the issuing municipality is located?

In the first place let me mention some of the practical matters involved in revenue financing of this type in which you as bankers and also the municipality should be interested.

The soundness of the financing will depend almost entirely on the continued solvency of the corporation which is to be the lessee of the plant. What experience have you **municipal** bond men had in appraising this kind of security? Who will prepare the circular, particularly that part analyzing the financial condition of the corporate lessee? Will you call the bonds—"Industrial Revenue Bonds. (XYZ Corporation Lessee)"? If the corporate lessee should go into bankruptcy, how would you enforce the bonds? The word "bankruptcy" is an ugly word, but many of us remember the time when stock in the New York, New Haven & Hartford Railroad was considered a prime investment for the funds of widows and orphans. What kind of covenants do you want bond attorneys to write into the trust indenture or the resolution securing the bonds? What remedies should they set up? Do you expect the **municipal** bond attorneys to pass on all the legal questions which are involved relating to the incorporation of the lessee, its right to do business in the state if a foreign corporation, its payment of all fees, franchise taxes, etc., its authority to enter into the lease, the remedies of the city in the case of a default on the lease, and other questions pertaining to the law of private corporations?

Factors to Be Considered by Bankers

Before embarking on a program of this kind, the municipality as well as the bankers should consider whether additional housing accommodations must be provided for the employees of the plant and additional streets, sidewalks, water and sewer lines, schools, hospitals and other public facilities constructed and, if so, the effect on the tax rate and the financial structure of the municipality. Perhaps also there should be considered the effect on the municipality, as well as on the bondholders, in case the corporate lessee after a few years of operation should go into bankruptcy.

On the other hand, all of us are aware of the fact that the states and municipalities are today engaged in many activities that were formerly considered private and not public. The Supreme Court of Pennsylvania has recently pointed out that—

"views as to what constitutes a public use necessarily vary with changing conceptions of the scope and functions of government, so that today there are familiar examples of such use which formerly would not have been so considered. As governmental activities increase with the growing complexity and integration of society, the concept of 'public use' naturally expands in proportion."

It will not do simply to brand the issuance of these industrial plant bonds as "socialistic." What might appear to be "socialistic" to some might appear to be quite proper to others. For example, when the Legislature of North Dakota in 1919 enacted laws which provided for the State engaging in the business of manufacturing and marketing farm products, and of providing homes for the people, and which appropriated money, created the state banking system and authorized bond issues and taxation for carrying the program into effect, the cry of "socialism" went up. These laws were approved by the people and sustained by a decision of the Supreme Court of North Dakota. And the Supreme Court of the United States, in Green v. Frazier, refused to set aside this decision, calling attention to the "peculiar conditions existing in North Dakota."

"Peculiar Conditions" Justifying Program

What were some of the "peculiar conditions" which prompted this unusual legislation and financing? At that time I was living in the neighboring State of Montana where the conditions were very similar to those in North Dakota. In July, 1912, I moved from Boston, where I had been struggling for a couple of years to get started, to a little town in eastern Montana on a branch line of the Northern Pacific Railroad. I landed there less than three weeks after the first railroad train, and about a week later I

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

The market prices of fire insurance shares did not move decisively in either direction during the past year.

The action of all stocks was not uniform as some issues made substantial gains and reached new highs. These gains were offset by declines in other stocks, however, so that for the year the general list showed very little change.

This performance is in contrast to the action of the general stock market which moved upward during most of 1951. Here again the action of all stocks was not uniform and some individual issues did not participate in the upward trend. However, most issues listed on the New York Stock Exchange showed a gain for the year.

To illustrate these points a comparison between the changes in the Dow-Jones Industrial Averages and "Barron's" index of insurance stocks is shown. The Dow-Jones average of 30 industrial stocks ended 1950 at 235.41. By Dec. 31, 1951 this index had advanced to 269.23, a gain for the period of 33.82 points or 14.4%. "Barron's" insurance stock averages ended 1950 at 143.33. As of Dec. 27, 1951, the average stood at 143.48, practically unchanged from that of a year earlier.

This seeming stability of insurance stocks obscures certain fluctuations which occurred during the year. The publication of annual reports in the early months of the year brought to light the unfavorable effects of the windstorms which swept the northeast section of the country in November of 1950. This brought about some liquidation and stocks reached their lows in January and February.

The market continued fairly static until August when a more active stock market brought some buying into the insurance list and stocks reached a high for the year during the first half of September. After that the general list declined slightly to end the year with very little change.

In looking back it would appear that underwriting difficulties have been one of the primary reasons why the stocks have not been able to obtain a better market following.

Underwriting results for 1950 were not favorable in comparison with the previous year. The carry-over of storm losses into the first half of 1951 hurt the operations for the six months ended June. Then, difficulties in the automobile liability lines continued to have an unfavorable effect upon operations in the final half.

Under these circumstances, there was little incentive to increase dividend payments or distributions to stockholders even though investment results continued to make gains. As a result insurance stocks attracted little interest in the equity market and fluctuated accordingly.

In the tabulation below, the price range for the past two years and the market bid price as of Dec. 31, 1951 and 1950 are shown for 23 of the major fire insurance stocks.

	Market Bid Price As of Dec. 31,		Price Range —1951—		Price Range —1950—	
	1951	1950	High	Low	High	Low
Aetna Insurance	53½	57½	61¼	49	66	49½
Agricultural Insurance	67½	68	75	66¼	76½	63
American Insurance	21¼	22⅝	22¾	19¼	23⅜	17¾
Boston Insurance	62	58¼	64	54	61⅝	45½
Continental Insurance	72	70¾	78	64¼	70¾	50½
Federal Insurance	87	75	89	75	76	61
Fidelity-Phenix	69¾	70½	78	65	70½	52
Fire Association	56¼	58	62½	52¼	74¾	54¾
Fireman's Fund	55	57½	58¼	47	57½	40⅜
Firemen's (Newark)	22⅛	22¾	22⅞	19¾	23⅛	18⅝
Glens Falls	52¾	53¾	59¼	51	55½	45½
Great American	33¾	31¼	36½	30¾	32¾	27
Hartford Fire	130½	133	144	122	144	107
Home Insurance	35	34½	37¾	34	37¾	31
Ins. Co. of North America	70	64	73½	62	66¼	49¼
National Union	35¾	33½	38½	33¼	38½	30½
New Hampshire	38¾	39¾	42¼	37¾	47½	38
New York Fire	18¾	18½	20	18½	20½	16
North River	29¼	27¼	29¼	25¾	28¼	23½
Phoenix Insurance	83½	84	84¼	74	87	67½
Providence-Washington	27½	30¼	30½	26¼	36½	28¾
St. Paul Fire & Marine	32	28½	33¼	28½	28½	23¾
Security Insurance	30¾	31¾	34½	29¾	38¼	29¼
Springfield Fire & Marine	43½	41½	46	41½	48⅜	41¼
U. S. Fire	41	37	41½	34½	39¼	36⅛
Westchester Fire	21	22¼	22¼	19¾	23	18¾

With Edgar Andrews Co.

(Special to THE FINANCIAL CHRONICLE)

IPSWICH, Mass. — James J. Regan, formerly with J. F. Jordan & Co., is now associated with Edgar D. Andrews & Co., 2 Central Street.

With L. B. Gage

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Adolph G. Decoteau is now connected with L. B. Gage, 1387 Main Street. In the past he was with F. L. Dabney & Co.

Continued from page 6

The Business Outlook in The Defense Economy

would develop early this year. There was no real reason for this belief, but it nevertheless stimulated a lot of buying and an accumulation of inventories. Production of durable goods reached exceedingly high levels late last year and in the first quarter of this year.

What is happening now is that output has been drastically reduced. Retail sales have not been sensational, when compared with last year's levels. They have been big enough, however, to bring about a steady reduction in accumulated stocks. By the end of the year, or shortly thereafter, stocks will be down to normal levels again, and production will be well below the level of current demand. I would not be surprised if retailers and consumers alike discover suddenly that the shortages they expected a year ago are actually beginning to develop.

There was also an accumulation of soft line inventories, textiles, apparel, etc. In the textile industry some of the mills kept producing during the second quarter, even though stocks were piling up. In the third quarter, however, there was a very drastic curtailment and for several months now there has been a reduction of inventory. I don't want to imply that overhanging stocks have been entirely eliminated. However, mill operations also have remained at a low level. As in the case of durable goods another two or three months will bring about a very strong position in most soft lines.

Inventory and Buying Policies

What I have just said simply means that retailers, having overbought last year, have gone to the other extreme within the past few months.

I have found after many years of experience and contact that the retailer has some difficulty in keeping his own operations in line with economic realities. The large store has many, many buyers. It is hard to restrain them when they become optimistic, and it is hard to encourage them when they have just been through a period of inventory liquidation. In terms of over-all purchases, therefore, there is a tendency to go to extremes.

A buying movement may be well justified when it begins, but it usually goes a little too far. Then there is a reaction to this, which influences store policy from the comptroller's office down to the last and least important buyer of merchandise. Reins are tightened, markdowns go up, and all energy is put into reducing inventories and improving turnover.

This works out well for a time because there is a lot of promotional goods on wholesale markets, which can be picked up and sold at a profit. Not many months pass, however, before the supply of promotional goods begins to dry up. In the present case this has already happened. No buyer can go out today and get the same values that he was able to obtain last August.

At the same time, because new orders have been scarce, manufacturers of consumers goods have also put themselves on a conservative basis. Their operations in most cases have been curtailed and their purchases of raw materials have been at a conservative level.

Now, however, retail sales have begun to show gains above a year ago. The rest period following last year's buying spree shows signs of ending. Holiday business at retail will probably be the best on record. By the beginning of the year, the same retailers who had surplus merchandise on hand six months ago will find themselves in a conservative position indeed.

Inventories and New Orders

It is as clear as the nose on your face that inventories and new orders in 1952 will probably show an improvement over 1951.

Perhaps "improvement" is a poor word to use in connection with inventories. What I mean is that we must allow for some build-up from the beginning of the year to the end of the year. In some respects, a two-year cycle is showing up. Most people bought more than they actually consumed in 1950. This tendency continued into, but not through, the first quarter of this year. Since then most people have been buying less than they actually needed, making up the deficit out of stocks on hand.

By the beginning of 1952, or shortly thereafter, stocks will have reached a point where they can no longer be called on to make up deficits. New orders will have to keep pace with demand, and quite probably will go ahead. Markets that have been dull for months will have the stimulating influence of a steady volume of demand. Although the accumulation of inventories throughout the year may be moderate, any gain at all will add somewhat to production requirements.

New Investments

I have heard some comment to the effect that spending for new plant and equipment will more or less collapse in the second half of next year, precipitating a business setback of serious proportions.

This viewpoint seems to me to be a little extreme. Such spending usually involves long-term commitments — either commitments for machinery or contracts for construction. The total amount spent naturally rises and falls, but the rate of change is hardly ever very abrupt.

Spending for new plant and equipment has been inflated, both by defense production requirements and by the civilian boom that followed the invasion of Korea. It is probably safer to be conservative, and estimate that such spending will reach its high point in the first half of the year rather than in the second; it is always better to revise estimates upward a little bit, rather than to have to cut them back. **But I do not believe that declines will be drastic.**

Two factors, I feel, receive too little consideration.

One is the rapid pace of technological advance. In industry after industry, research and development work are producing results, which will stimulate new plant and equipment spending in the future.

The second factor is the high level of wage rates. More and more these have become geared to the cost of living, or even run ahead of the cost of living. Labor costs can be held down in relation to rising wage rates **only** by a steady gain in efficiency and output per man-hour. And even more than in the past this requires constant investment in new processes and new machinery.

Conclusions

I made my conclusions plain at the beginning of this talk. 1952, I believe, will be a year of high level activity, with smaller fluctuations in prices and production than occurred in either 1950 or 1951.

Shortages of a few specialized items, including some raw materials and semi-finished products, will become acute; but the overall supply of most types of consumers goods will be ample. It will still be possible in this defense economy to have periodic overstocking followed by inventory liquidation.

Although I believe inflationary factors will revive again, at least moderately, purchasing agents cannot assume that there will be no price fluctuations.

Cost factors will become increasingly important. They should receive a major amount of management's attention. I believe you can regard business prospects with confidence and should approach your cost problems with this viewpoint.

I urge you, in conclusion, to give great weight to the international factors. They seem to have introduced new uncertainties in your thinking. Actually, they provide almost a guarantee that business will be held up, next year and beyond, by a very high level of defense spending.

Lehman Bros. Admit Two New Partners

Edwin L. Kennedy Frank J. Manheim

Lehman Bros., 1 William Street, New York City, members of the New York Stock Exchange, announce that two new partners will be admitted to the firm after Jan. 1, 1952. The new partners are Edwin L. Kennedy and Frank J. Manheim.

Edwin L. Kennedy has been associated with the firm for 10 years, having recently headed the staff concerned with Lehman Brothers' oil interests. He is a director of Kerr-McGee Oil Industries, Inc., Mid-Plains Oil Co., and Monterey Oil Co. Kennedy is a native of Ohio and a graduate of both Ohio University and Ohio State University.

Frank J. Manheim has been with the firm for eight years, having been associated with its Industrial Department. He is a director of Consolidated Coal Co., The Omnibus Corp., The Sharon Steel Corp., and the Welch Grape Juice Co. He attended universities in this country and abroad, and during World War II served with the Signal Corps and the Office of Strategic Services.

Augustus Slater Is With Lester, Ryons

LOS ANGELES, Cal.—Association of Augustus Slater with the Analytical and Research Department of Lester, Ryons & Co., 623 South Hope Street, members of the New York Stock Exchange, New York Curb Exchange (Assoc.) and Los Angeles Stock Exchange, has been announced. Prior to his new association, Mr. Slater was with William R. Staats & Co. and was for several years with the research department of Goodbody & Co. in New York.

Mobilization and The Business Outlook

By ELIOT JANEWAY*
Consulting Economist and Business Trends Consultant to "Newsweek" Magazine

Mr. Janeway holds as fundamental that (1) our need for security imports must dominate any foreign policy; and (2) any successful anti-Soviet policy must entail rigid rationing and shortages of such materials. Characterizes as shortsighted any policies embodying flight from inventory.

It is clear, I think, to all of us that we can't get the planes and tanks and electronics which we need without turning the country upside down. We are turning the country upside down. The question is, are we getting the planes, tanks, and electronics? The only answer to this question I know, as of this noon, is what the old farmer in Vermont replied when asked if it was going to rain. "Not right away," he said.


Eliot Janeway

We don't happen to be getting the sinews of strength right away, and I am afraid that it will be months and months before we do. Meanwhile, the process which is turning the country upside down is daily adding complications to the job of getting the sinews of strength produced, and indeed is delaying that job.

Let me make several points which I think will summarize the highlights of what, for better or worse, is in store for this program in the coming year of 1952. Before I do that, let me hasten to say that, though I believe I have earned the nickname of Calamity Jane-way, my gloom is offset very considerably by two convictions: first, I believe that the management of DPA, the successor organization of WPB, is ever so much better than WPB ever was even under the pressure of war; and secondly, that I carry my agreement with the message brought you by your Counsel to the point, notwithstanding my gloom, of daring to believe that our enemy has missed the boat and that, come 1953 and 1954, this country will be secure.

A simple fact sets the conditions governing the crisis turning this economy and this society upside down. That condition is, that whereas this country has for years pitied England and Germany and Japan as so-called "have not" countries, today this country, with its endless appetite for the materials of production, has itself become a "have not" country. Your security, which I summarized a moment ago in terms of planes and tanks and electronics, really must be built on a foundation of nickel, and tungsten, and cobalt, and other obscure import materials alloyed with steel and copper and aluminum. For even the iron and the copper required by CMP we are to a significant extent dependent upon imports. Ours is now a country dependent upon its ability to win and to hold and, yes, to buy, the good will of the various Chiles and Africas and Indias and Canadas originating those materials.

Security Imports Dominating

Two conclusions are axiomatic: (1) Our need for security imports must dominate any foreign policy; but, (2) even if such foreign policy is entirely successful, is eminently practical, any program that will be large enough to impress the Kremlin with the seriousness of America's purpose will nevertheless be a program that will sentence America to the most rigid rationing and shortages of these materials. Else for lack of the nickel, the aluminum will pile up in the plane plants and the fuselages will be produced far in excess of the ability of the engine makers to turn out the jets to fly them. It is no violation of confidence to say that there was a meeting in Washington yesterday attended by the top brass in the producing divisions of the armed forces to answer the question asked by the Johnson "Watchdog" Committee of the Senate, "Where are the planes?" The answer was forthcoming in terms of planes about to be produced and the chief inquisitor asked, "Will they fly?" and left the room. They won't fly, not for some little time, because there won't be engines to fly them largely because we were caught short of the nickel to make engines. It will be 1953, at the earliest, before we begin to make up for that lost time.

What is the meaning of this state of affairs for business? Specifically this: that there is being bled out of the supply available for this civilian economy a tremendous ration of controlled and critical materials; that this material has been bled out and will be bled out in more and more severely rationed quantities well in advance of needed plane and tank and electronics production, and that that process of rationing has left American industry—that is, American industry producing durable goods such as the American industry producing textile machinery—in the position of being a house divided which in 1952 will not prosper.

The Two-Sided Situation

On one side of the house can be put your Pratt & Whitneys and the procurement divisions of your General Motors and your Lockheeds and the rest, and on the other side your Nash-Kelvinators (just to pick a name out of the air), your producers of consumer durable goods, your civilian consumers of copper and aluminum and, particularly, alloy steel. It has become pretty clear that there is no way to cut up the production pie now in the oven for 1952 that will on the one hand (from the business standpoint) give your procurement manufacturers enough volume to make a war production dollar of profit but that, on the other hand, will leave your civilian producers with enough marginal volume to stay above the break-even point. So acute is the nonprofit outlook in durable goods for 1952 that in conversation with a ranking member of the DPA last week a summary of this difficult condition elicited this remark: "If General Motors ends by deciding to show a profit for 1952, the reason will be public relations and not arithmetic."

That being so, consider for a moment the atmosphere in which the Congress has finally raised the tax rate, and in which the President has chided the Congress for not having raised the tax rates still further. The tax rate being the price of government—I am reminded, parenthetically, of what that distinguished Harvardian, Justice Holmes, once said when asked if he didn't object to paying taxes. Holmes, who was a cynic, replied righteously, "Why, I don't object at all. With my taxes I buy civilization." It occurs to me that the old gentleman, had he lived, may have (with his skepticism) begun to wonder what sort of bargain he was getting.

A Tax Rate Question

However, since the tax rate sets the price of government and not the revenues of government, what government actually collects depends upon the profits of business before it becomes a question of the tax rate. Let the tax rate go up as much as you please, but let the profits of business go down as much as the profits of business are likely to go down next year, and government revenue will sink no matter how high or how often the tax rate is raised. Government revenue will sink in terms of collections from business. In calendar 1952, at a time when government spending will be rising at a breathtaking rate for defense, may I urge you not to be misled by entirely temporary complacent accounts of government surplus based on false starts in procurement. Government defense spending, I repeat, will rise at a breathtaking rate at a time when government tax collections from profits will be falling, "disregardless" of the present rise in the tax rate. This means that those of you who may be fearful of inflation, of the inflationary impact of deficits upon the price and wage structure behind us, "aint seen nothing yet."

There is going to be a very vigorous inflation of prices and wages in 1952, sparked by the inflationary decline in profits and the rise in government spending in the early part of the year. Prices and wages will rise, but not in that order. It is clear that wages are again about to rise in a very dramatic way. The NPA, which is the operating subsidiary of the DPA (the policy making and programming agency) has set a limit on the accumulation of material. There is no limit on the accumulation of what, in terms of procurement accounting (which pegs revenues to hours worked) is the most valuable form of inventory, manpower.

I said a little while ago that there has been a bleeding off, and there will continue to be a progressively greater bleeding off of production material from the civilian economy well in advance of ordnance production. Much greater than that has been the accumulation of manpower inventories among procurement manufacturers. That process is accelerating at a rapid rate and will accelerate at a much more rapid rate in 1952. Aircraft wages in particular, and munitions producing wages in general, have always enjoyed a differential over civilian wages. In the last war, that differential worked a comparatively mild hardship by virtue of the fact that Pearl Harbor suspended consumer durable goods production and construction activity. This time, we appear to be rushing forward, not merely uncontrolled or unrestrained by government, but indeed, with the sanction of government, into a freezing of the highest munitions wage rate differential in history at a time when we are also committed to maintaining relatively normal consumer durable goods and construction activity. Indeed, some manufacturers are quite capable of viewing with alarm a program which cuts them back to the level of 1947, an unprecedentedly prosperous year at the time. NPA is entitled to claim that if CMP and cutbacks had not existed due to inventory, refrigeration and automobile production would be no higher than it is. I know of companies which, having received their fourth quarter allotments of materials which represented vigorous cutbacks, took the cutbacks and then shut down because they were fresh out of warehouse space in which to store their unsold refrigerators and stoves.

We are committed to continuing civilian production so long as we arm short of all-out war. The objective of the munitions buildup scheduled for 1952 is not to clog Texas with miles and miles of aircraft stacked end to end. On the contrary, I think that objective is best described by the image of the spinning generator in the electric power plant which begins to spin at about 4 o'clock in the afternoon so that, come dark, you press a button and the city lights up. All-out war production is not the objective behind which we are lagging today. We are behind in tooling up production, standby production, production needed to spin the generator to a point at which a pushing of the button can bring us immediately to all-out war production. In this state of affairs, however, without coordination, procurement manufacturers—and I don't criticize them, the incentives go that way and so do the sanctions of government — are building up a tremendous inventory of manpower. They are using as an incentive a prospective wage rate increase in the case of skilled—that is, tool and die labor—25 to 30% higher than that prevailing in areas where wages are high. You are familiar with what is called Gresham's law in the world of finance, which states that cheap money drives out good. By the same token in reverse, expensive labor upgrades inexpensive labor. We are by way of becoming confronted with a condi-

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*An address by Mr. Janeway before 18th Annual Meeting of the Thread Institute, Inc., N. Y. City, Oct. 25, 1951.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Nineteen hundred and fifty-one was another year of adjustment in the government securities markets. The so-called sacred levels of par for the longer-term obligations went the way of all flesh. This was not an easy dose to take, even though it was another stab at the inflationary forces. Short-term rates also rose sharply and this brought considerable buying of these issues by private corporations, mainly for tax purposes. The tax-anticipation Treasury bill made its appearance on the horizon, and the government was able to carry out two very successful new money operations with this obligation.

The demand for funds either through bank loans, mortgages or private and public flotations continued unabated. This kept the government market on the defensive. Commercial banks as a whole lost their appetite for Treasuries, (except for the shorts which were bought for liquidity and riskless-asset purposes), because of the greater dependence of corporations upon the deposit institutions to finance their credit needs. Savings banks and life insurance companies were again sellers of governments in order to get funds that were used to finance mortgages and the defense program. This left Federal and the government trust accounts the principal buyers of Treasury obligations, with minor assistance from pension funds and private trust accounts.

Interest rates continued to rise during the year, with the increase in the prime bank rate from 2¾% to 3% near the end of 1951 pushing the government market down to new all-time lows in many instances. Volume as a whole was lighter than in previous years except for the near-term issues.

Passing of the options by the Treasury to redeem the callable 2s was a forerunner of higher rates, which was not long in materializing. This, and the greater use of Treasury Bills and Certificates, as well as the tax-anticipation Bills for government financing, did not have a favorable effect upon the eligible taxable issues. Results for the year were:

Eligible Taxable Bonds

		12/29/50 —Closing—		Price Range —1951—		12/31/51 —Closing—		Price	Yield
Issue		Bid Price	Yield %	High	Low	Bid Price	Yield %	Chges. 32nds	Chges. 32nds
2½%	*3/15/52-54	101.2	1.54	101.4	100.3	100.4	1.62	— .30	+.8
2%	6/15/52-54	100.18	1.57	100.19	99.10	99.18	2.14	—1.0	+.57
2¼%	6/15/52-55	100.28	1.58	100.31	99.28	100.0	2.21	— .28	+.63
2%	†12/15/52-55	100.14	1.48	100.16	99.10	99.10	2.15	—1.4	+.67
2%	‡9/15/52-53	100.10	1.47	100.11	99.18	99.28	2.03	— .14	+.56
2%	12/15/52-54	100.22	1.61	100.23	99.6	99.14	2.16	—1.8	+.55
1⅜%	3/15/54	99.7	1.61	99.9	97.27	98.15	2.03	— .24	+.42
1½%	3/15/55	99.9	1.66	99.11	97.20	98.6	2.05	—1.3	+.39
1¾%	12/15/55	100.2	1.73	100.5	97.28	98.10	2.16	—1.24	+.43
2½%	3/15/56-58	103.14	1.79	103.25	100.26	101.8	2.26	—2.6	+.47
1½%	4/1/56	----	----	98.24	97.0	97.16	2.02	----	----
2¼%	9/15/56-59	102.11	1.81	102.23	98.24	99.8	2.34	—3.3	+.53
1½%	10/1/56	----	----	98.4	97.0	97.4	2.06	----	----
2½%	9/15/67-72	103.17	2.24	104.7	96.16	96.30	2.69	—6.19	+.45

*Called for payment 3-15-52.
†Next call date 6-15-52.
‡Next call date 9-15-52.

The partially exempts were further decreased during the year with the retirement of three issues; although there will be no eliminations next year, the supply will not be added to unless there are some unusual developments. High taxes have not been a drawback to these obligations. Nineteen hundred and fifty-one showed the following:

Eligible Partially Exempts

		12/29/50 —Closing—		Price Range —1951—		12/31/51 —Closing—		Price	Yield
Issue		Bid Price	Tax Free Yield %	High	Low	Bid Price	Tax Free Yield %	Chges. 32nds	Chges. 32nds
2%	6/15/53-55	102.5	.86	102.20	101.2	101.6	.84	— .31	—.2
2¼%	6/15/54-56	103.23	.90	104.6	102.10	102.14	.90	—1.9	----
2⅞%	3/15/55-60	106.29	.93	107.15	104.30	105.2	.94	—1.27	+.01
2¾%	9/15/56-59	108.14	.96	109.3	106.4	106.18	.99	—1.28	+.03
2¾%	6/15/58-63	110.12	1.02	111.3	107.22	108.4	1.09	—2.12	+.07
2¾%	12/15/60-65	112.29	1.08	113.29	108.24	109.28	1.21	—3.1	+.13

Pulling of support by the monetary authorities of the restricted issues at 100 and letting them seek their own levels to a certain extent was the outstanding development in these securities. The fluctuating, guess-who-has-the-supporting-bids type of stabilization has kept these issues on the uncertain side most of the year. The record for 1951:

Restricted Taxable Bonds

		12/29/50 —Closing—		Price Range —1951—		12/31/51 —Closing—		Price	Yield
Issue		Bid Price	Yield %	High	Low	Bid Price	Yield %	Chges. 32nds	Chges. 32nds
2¼%	6/15/59-62	100.22	2.15	101.13	96.0	96.26	2.58	—3.28	+.43
2¼%	12/15/59-62	100.18	2.18	101.8	95.28	96.28	2.58	—3.28	+.40
2½%	6/15/62-67	102.21	2.23	103.10	97.12	98.0	2.65	—4.21	+.42
2½%	12/15/63-68	101.22	2.34	102.13	96.20	97.8	2.69	—4.14	+.35
2½%	6/15/64-69	101.4	2.39	101.28	96.12	96.26	2.72	—4.10	+.33
2½%	12/15/64-69	101.1	2.40	101.22	96.8	96.20	2.73	—4.13	+.33
2½%	3/15/65-70	100.29	2.42	101.13	96.4	96.14	2.74	—4.15	+.32
2½%	3/15/66-71	100.28	2.42	101.10	96.2	96.12	2.74	—4.16	+.32
2½%	6/16/67-72	100.22	2.44	100.31	95.28	96.4	2.74	—4.18	+.30
2½%	12/15/67-72	100.22	2.44	100.31	95.28	96.4	2.74	—4.18	+.30

Townsend, Dabney Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bertney E. Gayton is now with Townsend, Dabney & Tyson, 30 State Street. He was previously with Harris, Upham & Co., and Whitney & Elwell.

Joins Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Neil C. D'Amico is now associated with Dean Witter & Co., Equitable Building.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Hermann Aufwerber has been added to the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John B. Heller has become affiliated with Hamilton Management Corporation, 445 Grant Street.

Continued from first page

Does Probability Affect Stock Market Price Movements?

variables. Moreover, if such patterns exist they must be related not only to patterns of human behavior but also to the institutional framework in which markets operate. It is quite possible, for example, that pre-SEC markets resulted in patterns quite different than those of post-SEC markets.

If stock price patterns are based on human behavior traits it does appear reasonable to believe that they are relatively constant. We have previously reported[1] experimental studies aimed at the measurement of investor-speculator behavior under controlled conditions. These studies do not purport to be a complete analysis of investor behavior and much more work needs to be done. Nevertheless, the little that has been discovered at least points to the possibility that typical human behavior patterns may tend to produce patterns in stock prices.

But even if we knew all about human response to price making forces it does not necessarily follow that we could successfully forecast stock prices. Price patterns after all have to do with how markets decline or rise, not *whether* they will rise or fall. The value making forces of capital supply, earnings, dividends, and investor expectations undoubtedly govern the direction of stock prices.

Dow theorists, of course, emphasize that the Dow Theory is merely a device for measuring in retrospect when important turning points occur and does not purport to forecast such turning points. The supposed utility of the Dow Theory is related to the momentum of the market, i.e., turning points are identified early enough to be useful in market operations. The Dow Theory is a theory of market inertia. It says substantially that the market will continue to move in the direction it is moving until it is brought to rest and reversed; and, that after reversal it will continue to move in the new direction for a considerable interval.

The Cowles Commission for Research in Economics reported in 1933 a study of the record of stock market forecasters.[2] Included in this study was an analysis of the forecasting record of William Peter Hamilton. Mr. Hamilton, who was the editor of the "Wall Street Journal," published forecasts of the stock market from 1904 to 1929 inclusive based on the Dow Theory.[3] These forecasts would have achieved a result better than a normal investment return but poorer than the result of continuous outright investment in representative common stocks for the period. On 90 occasions during the period 1904-1929 Mr. Hamilton announced changes in the outlook for stock prices based on the Dow Theory. Forty-five of these predictions were successful and 45 were unsuccessful.

But we are not attempting an appraisal of the Dow Theory. It is sufficient to point out that this theory is based on the concept of market inertia — a belief that market sequences outnumber reversals. All of this, of course, implies the existence of price patterns.

In 1944 the Cowles Commission again reported a study of stock market forecasting.[4] In general this excellent study, which was based on the records of 11 leading financial periodicals from 1927 and over periods from 10 to 15½ years, did not show evidence of ability to accurately predict the course of stock prices. But the record of the forecasting agency with the best record over the 15½-year period from 1927 was considerably better than might be expected from random forecasting. A more detailed analysis was made of the record of this forecasting agency for the period 1903-1943.

This forecasting agency was not named, but it was indicated that three individuals, for varying periods, had been responsible for the forecasts over the 40-year period. It was also indicated that the general principles followed by the three were similar and that succeeding forecasters were avowed disciples of their predecessors. It was also indicated that while the three men never reduced their method to precise mathematical terms that it was generally based on a theory of excess of sequences over reversals; i.e., a theory that main trends persist for considerable periods. The forecasting method of this agency, it was stated, involved an attempt to recognize when the long term trend of the market had reversed itself. This recognition was not accomplished by any precise statistical test, but was based generally on the general price pattern presented. However, the accuracy of this agency appeared to be definitely related to forecasts that the market would continue to move in the direction in which it had been moving.

Was This the Dow Theory?

While it is not especially relevant for our analysis, it is interesting to speculate as to the identity of this forecasting "agency." The method as well as the time involved certainly suggest Dow-Hamilton-Rhea and the well known Dow Theory. But the 1933 Cowles study previously mentioned[5] examined the record of Hamilton and found it generally mediocre and since the work of Hamilton covered the greater part of the period, it would appear unlikely that the agency studied was this group of Dow Theorists. Moreover, Robert Rhea died in 1939, but the Cowles study covered the period to 1943, although this might merely indicate that the individual whose forecasts were accepted as following the Dow-Hamilton line was someone other than Robert Rhea.

It is not at all essential that this agency be identified, but it is interesting to note the similarity to the Dow Theory. For our purposes it is perhaps sufficient to call attention to the fact that the rather good record of this forecasting agency seemed to be related to the idea of the persistence of general trends.

Monthly Sequences and Reversals

Why should a method based on the excess of sequences over reversals be successful? Obviously it must be true that in the stock market there are more sequences than reversals. But in a penny tossing series there will be approximately the same number of sequences and reversals. On the basis of pure chance there is a probability of one-half that a reversal (or sequence) will occur. Clearly then price behavior in the stock market is not merely a matter of probability.

The Cowles study quoted an analysis of stock market sequences and reversals on a monthly basis for the 100-year period 1836-1935.[6] In the total of 1200 observations there were 748 sequences and 450 reversals. Since the standard deviation for such a long series on the basis of random penny tossing is 17.3, the deviation of 149 from the expected 599 sequences is in excess of 8 times the standard deviation. Analysis indicated also that an average net gain of 6.7% per year exclusive of dividends and brokerage costs would have resulted from an investment policy based solely on monthly sequences over this period.

Another Approach to Probability In Stock Price Behavior

It is possible to approach the problem of probability in stock market action from quite a different point of view. A reasonable explanation of the excess of sequences over reversals is that changes in the world, i.e., inflations, deflations, wars, etc., produce extended swings in stock prices. It appears possible if not probable that the excess of sequences found in the Cowles study is merely a way of expressing the fact that there are major trends in stock prices that persist over extended intervals.

It is possible that these major trends are the result of changes in the world, wars, revolutions, taxes, inflations, and deflations, but that the pattern of change is a matter of probability. This is to say that if the market is destined to decline, (or rise) 40%, that fact is not a matter of mere chance but the pattern of decline (or rise) may be a matter of chance.

We can perhaps test this hypothesis by comparison of charts of significant rises or declines in stock prices with charts constructed to yield almost exactly the same total change, but where the pattern of movement is based on pure chance. This method does not permit the use of a single mathematical expression of similarity or dissimilarity of the charts of real prices and chance lines. But this means only that our estimate of randomness must be based on general impression of the relative randomness of various pairs of charts. This can perhaps best be expressed in terms of the extent of agreement of qualified independent judgments concerning the randomness of curves, some of which represent real prices and some of which represent chance curves.

Construction of Chance Curves

The pairs of curves in the chart were constructed as follows. One of the curves in each pair represents the movement of a stock price average over a year's time during which there was a significant upward or downward movement. The other curve in each pair is a line the values of which were obtained by throws of dice. This dice line was designed to begin at the same point and to show almost exactly the same total movement over the period as the other half of the pair which represented the movement of real prices. The dice lines represent the values of 324 throws or roughly equivalent of a year of stock prices.

Weights Based on Game of Seven-Up

The dice lines were made to approximate the same total movement as their pairs by means of weights, and these weights were

1 *An Experiment in Speculative Behavior*, Bureau of Business Research, University of Oregon, 1950.
"A Test of Speculative Behavior," Commercial and Financial Chronicle, March 16, 1950.
"Experimenting in Investment Studies," Commercial and Financial Chronicle, Jan 11, 1951.

2 "Can Stock Market Forecasters Forecast," in "Econometrica," Vol. 1, No. 3, July 1933.
This was a paper read before a joint meeting of the Econometric Society and the American Statistical Association, Dec. 31, 1932.

3 Hamilton, *The Stock Market Barometer*, Harper & Brothers, 1922.

4 Alfred Cowles, *"Stock Market Forecasting,"* Cowles Commission for Research in Economics, "Econometrica," Vol. 12, Nos. 3 and 4, July-October 1944.

5 *Ibid.*

6 "Some A Posteriori Probabilities in Stock Market Action," Alfred Cowles and Herbert E. Jones, "Econometrica," Vol. 5, July, 1937.

based on perhaps the simplest of all dice games, i.e., two player seven-up. In this game two persons alternately throw dice; one wins when the numbers total eight or more; the other wins if the numbers total six or less. If the numbers total seven, neither wins. The rules of the game give each player an equal chance to win as indicated in the following table of probabilities.

Value	Probability
12	1 in 36
11	2 in 36
10	3 in 36
9	4 in 36
8	5 in 36
7	6 in 36
6	5 in 36
5	4 in 36
4	3 in 36
3	2 in 36
2	1 in 36

If a line is constructed by successive throws of the dice and if plus and minus values are assigned on the basis of the above probability table the movement will be horizontal. This is because the probability of occurrence of numbers above seven is equal to the probability of occurrence of numbers below seven. To accomplish a horizontal line the values would be assigned as follows:

Number	Weight
2	—5
3	—4
4	—3
5	—2
6	—1
7	No change
8	+1
9	+2
10	+3
11	+4
12	+5

If we wish not a horizontal line but a line with a definite slope it is necessary only to alter the weights. Suppose we have a stock price line that moves from 100 to 190 in 324 business days and wish to construct a chance line that will show the same total movement. The chance line must therefore average an increase of 10 points in every 36 throws of the dice. This can be very closely approximated by adjustment of the weights to the following:

Numbers—	Weight
2 and 3	—3
4 and 5	—2
6	—1
7	+1
8, 9 and 10	+2
11 and 12	+3

The above weights applied to a normal distribution of the numbers in 36 throws would produce 39 plus points and 28 minus points or a gain of 11 points in 36 throws. In effect this system of weighting is a method for mathematically loading the dice in order to produce a predetermined overall result.

The chart, then, included ten pairs of lines. In each case one of the lines represents a one year movement of a stock average and one of the lines is a chance line so constructed as to start and end at approximately the same points as the stock price line.

The stock price averages used were as follows:

Pair	
1—20	Rails, 1930 (S. T. & S.)
2—25	Industrials, 1925 (N.Y.Times)
3—25	Industrials, 1925 (N.Y.Times)
4—D. J.	Rails, 1934
5—D. J.	Industrials, 1934
6—D. J.	90 Stocks, 1933
7—90	Stocks, 1929 (S. T. & S.)
8—90	Stocks, 1932 (S. T. & S.)
9—90	Stocks, 1933 (S. T. & S.)
10—50	Industrials, 1928 (S. T. & S.)

Identification of Random Lines

In attempting to discover whether short run stock prices represent random series we are confronted with something of a paradox. If a series is not random and if the number of possible patterns is large, it is inevitable that sometimes it will look like a random line. But if a series is in fact random, it is unlikely to show unrandomlike behavior over extended periods.

No mathematical tests of randomness were applied since it was believed that such tests would be inconclusive for the reason indicated above. The charts, however, were shown to five mathematicians who were asked to indicate the line in each pair that was random. The results are summarized below:

Summary of Opinions of Five Mathematicians of the Random Line in Each Pair

Pair	Line A	Line B
1	2	3
2	2	3
3	2	3
4	2	3
5	1	4
6	0	5
7	0	5
8	0	5
9	2	3
10	0	5

It is evident, therefore, that collectively the group was successful in identifying the random line in all cases. In four cases the group was unanimous and in one case almost unanimous. In five cases three correctly identified the random line and two failed to do so.

Perhaps the best way to summarize these results is in terms of opportunities for decision (one for each pair) and there were five mathematicians in the group. This means that there were 50 opportunities for decision. In 39 cases the random line was correctly identified and in 11 cases the random line was not correctly identified. The probability of attaining this result on the basis of pure chance is only 1 in 23,155.

Conclusions

It should be remembered that our concern has been with fairly short run stock price movements. No one would seriously propose that long run stock prices represent a random series. Even a brief glance at the chart of stock prices since 1897 with the great bulge of 1925-29 and the great decline from late 1929 to 1932 indicates the near impossibility of mere random action—even random action with an upward bias.

Our conclusion is that even fairly short run stock price movements are not random. Reader reaction here may be "so what," "whoever supposed they were." The answer is that many analysts behave as though they believe that stock prices behave in a random fashion. If stock prices are not random it is evident that the fact that stock prices have risen for a week or a month does not in itself make it likely that they will decline. Yet it is not uncommon to find forecasts of a future market action which seem to be based primarily on the magnitude of the immediately preceding movement.

If stock prices are not random, it follows that they must be based on a wide variety of causes which related to demand for and supply of shares and which are translated into prices by human decisions to invest or disinvest. We may suppose that these causes include the basic factors of money supply, political climate, discovery and invention, population growth and the like. Since these forces must operate through the medium of human decision it may be that even physiological factors may be involved.

Nicholas Molodovsky and Joseph Mindell in an article in "The Commercial and Financial Chronicle"[7] have pointed out that the attack on internal market analysis is based in large part on the misconception that the stock price series is a chance series. If stock prices are not random it is certainly theoretically possible that internal market analysis may provide a reasonable basis for stock price forecasting. This is not to say that it has been done. It is even possible that successful forecasting based on internal analysis may be (if widely disseminated) self defeating, in that the forecasts would, if successful become a cause, and induce such changes in human behavior as to modify stock prices.

After all internal analysis is not witch's brew. It is only a method of measuring and evaluating some of the basic price making forces. It may well be that in some cases internal analysis measures forces which may be only dimly understood.

But the objective here is limited. We are not attempting to show that internal analysis in general or some particular method of internal analysis can now accurately predict stock prices. We only assert that if stock prices are not random they must be based on causes and therefore internal analysis is not a contradiction of the scientific method. It must be emphasized that this is not an attempt to appraise various methods of internal analysis. It is only an attempt to appraise the randomness of stock prices. On the basis of the evidence presented we conclude that stock prices do not represent a random series.

7 Nicholas Molodovsky and Joseph Mindell, "Scientific Basis of Internal Market Analysis," Commercial and Financial Chronicle, Dec. 25, 1947.

Survey Cites Lower Industrial Activity

Business Survey Committee of National Association of Purchasing Agents says decline in new business is accompanied by continued price strength, with portent of more price boosts.

According to a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, under Chairmanship of Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Co., New Haven, Conn. December reports on general business conditions, are not encouraging. The trend to lower industrial activity reported in November has continued, and the decline is much more pronounced. Production held up fairly well during the first half of the month, then tapered off, and the long holiday closedowns will bring the year to an end on a low production rate. New orders have taken a sharp drop, 36% reporting lower backlogs, the largest number since July-August of this year. This decline in new business comes in the face of continued price strength, and the portent of more to come, from Capehart formula pricing and steel wage negotiations. Inventories are lower; the number of employed is holding up, but there are soft spots in several areas and more short time. Buying policy is predominantly within the 90-day range.

Robert C. Swanton

Purchasing agents, the report notes, are reluctant to make long-term New Year forecasts. Cutting through the hedges of possibilities and influences of war, peace, Administration policies and politics, the consensus is that civilian production, to which the industrial economy is still predominately geared, will be low for the first quarter of 1952—much lower than during the fourth quarter of 1951. Defense production will increase substantially, but the volume will not be large enough, nor can it be spread wide enough, to cover the bare spots now developing and which are expected to show up in early 1952.

Commodity Prices

The general trend of industrial material prices is a sidewise movement in December, with a further show of strength being currently supported by advances that may be authorized by the revised control law. Many small increases justified under OPS pricing rules have not reached buyers and may be withheld, awaiting more favorable business conditions. Warehouse stocks of many maintenance, repair and operating supply items are heavy, compared to present slow sales. The outcome of steel wage negotiations, and its effect on prices, will influence the price trend in the immediate future.

Inventories

Purchased material and parts inventories took a decided drop this month, the committee notes. Inventory managers, endeavoring to adjust and balance stocks to lower order books, Indian gift first-quarter CMP allotments, and year-end inventory taking, are slowing down on intake. That policy is expected to continue well into the first quarter of 1952. Some report inventory increases, attributing them to reduced production schedules and an accelerated delivery movement from vendors. Policy on inventory is becoming very conservative.

Employment

Despite cutbacks in civilian goods production, overall industrial employment remains high. Many layoffs are being absorbed by defense plants. Several areas report a dearth in skilled workers, particularly in engineering and tooling make-ready for government contracts. Others have reduced working hours. Plant closedowns for the holidays and year-end inventory will be more numerous this year.

Buying Policy

Purchasing executives, says the committee, are still holding very conservative views on future commitments. 87%, the same number as last month, are continuing to keep within a 90-day range. Filling in current requirements from the more plentiful distributors' stocks reduces the scheduling of longer-term mill shipments for many consumers. Uncertainty of future CMP allotments restricts the purchasing of other materials. Back-order positions and new orders do not warrant a more optimistic buying policy at this time.

To Be Havener & Co.

Following the retirement of Robert Lee Gill on Dec. 31, the firm of Havener, Gill & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, changed its name to Havener & Co. Paul W. Havener became a member of the Stock Exchange on Dec. 28.

Mutual Funds

By ROBERT R. RICH

OPEN-END REPORTS

DIVERSIFIED Investment Fund, reported total net assets of $24,593,773 at the fiscal year-end, Nov. 30, 1951 compared with $19,030,707 a year ago. This five million dollar increase represented a percentage gain of more than 25%.

During 1951 Diversified Investment Fund paid quarterly dividends totalling 79 cents per share from net investment income, the largest total for any year in the fund's history. In 1950 the amount paid was 72 cents per share. In addition to the dividend from regular income a distribution of security profits amounting to 49 cents per share was paid to shareholders at the year end. After adjustment for this security profits payment, the gain in net asset value per share for the fiscal year was 8.1%. In dollar amount, the fund's shares increased from a value of $12.34 at the beginning of the year to $12.85 at the end.

At the year-end, assets of Diversified Investment Fund were diversified among 89 individual securities, including sixty-four common stocks of companies in eighteen major industries, eleven preferred stock issues and fourteen bonds. Common stock investments accounted for 68.1% of total net assets, preferred stocks, 9.0% and bonds, 21.5%. The largest holdings by industry were in common stocks of companies in the petroleum, public utility, railroad, automotive and textiles and home furnishings fields.

HUGH W. LONG, President of Diversified Funds, Inc., released today a review of the 1951 operations of Diversifed Common Stock Fund, a mutual fund invested in income-paying common stocks.

The most significant development of the fiscal year ended Nov. 30, 1951, according to Mr. Long, was the 139% increase in total net assets of this Fund, from $844,000 to over $2 million. During the fiscal year the number of shares, shareholders and total net assets of the Fund have increased steadily.

Commenting on this growth, Mr. Long observed, "It is apparent that a fund which is invested only in common stocks, broadly diversified by industries and chosen 'with an eye to income,' is serving a need in the investment programs of an increasing number of people."

During the year ended Nov. 30, 1951 Diversified Common Stock Fund paid quarterly dividends from net investment income totalling 30c per share. In addition, the Fund realized a substantial total of net security profits from which a capital gain distribution was paid to shareholders on Nov. 28, 1951 in the amount of 31c per share. Net asset value per share of Diversified Common Stock Fund on Nov. 30, 1951 was $5.02 per share, as compared with $4.68 on Nov. 30, 1950, an increase in asset value per share for the year of 13.9% including the capital gain payment.

Approximately 30% of the assets of the Fund on Nov. 30, 1951 was invested in shares of companies producing primary raw materials such as chemicals, oil, rubber, steel; close to 40% represented industries and trades serving the consuming public; investments in companies now substantially and directly dependent on military business accounted for approximately 15% of assets.

TOTAL NET ASSETS of Bullock Fund on Nov. 30, 1951 were $12,451,602, a new high for the end of any fiscal year in the company's history, according to the annual report issued to stockholders. Assets were equal to $23.11 a share on 538,806 shares outstanding and compared with total net assets of $8,672,659, equal to $21.05 a share on 412,000 outstanding shares a year earlier. Included in total net assets on Nov. 30, 1951 was unrealized appreciation of $2,247,779 compared with $1,410,542 one year earlier.

Dividends per share from net investment income during 1951 were higher than for any previous twelve-month period, totalling $1.198, compared with $1.075 for 1950. The company also paid to stockholders $1.152 per share from net scurities profits during the twelve month period ended Nov. 30, 1951, compared with $.675 per share paid from this source for 1950. More than 4,500 persons now own shares of Bullock Fund as contrasted with 3,200 on Nov. 30, 1950.

Hugh Bullock, President, points out in the report that principal changes in common stock holdings have consisted of a reduction in certain groups largely of a cyclical character, such as aircraft manufacturing, industrial machinery and equipment and food chains, and an increase in the percentage of net assets invested in groups felt to possess more favorable long-term growth characteristics including chemical, natural gas, petroleum, paper, department stores and public utility common stocks. Holdings of common stocks at Nov. 30, 1951 amounted to about 82.5% of net assets.

TOTAL NET ASSETS of Nation-Wide Securities Company on Nov. 30, 1951 were $18,066,268 compared with $15,601,721 on Nov. 30, 1950. Net asset value on Nov. 30 amounted to $15.04 on 1,201,490 shares, compared with $14.90 on 1,046,779 shares on the same date last year.

During the three month period ended Nov. 30, holdings of preferred stocks were increased from 17.10% to 19.04%. Holdings of U. S. Government bonds at Nov. 30, 1951 amounted to 16.27% of total net assets; other bonds, 15.39%, common stocks, 45.91%; and cash, etc., 3.39%.

At Nov. 30, 1951, largest industry group holdings of common stocks were utilities, 9.37% of total net assets; oil, 6.19%; retail trade, 3.99%; railroads, 3.13%; and automotive, 3.07%.

NET ASSETS of Natural Resources Fund, totaled $2,875,000 on Dec. 24, an all time record high for the Fund and an increase of $310,999 over the $2,560,256 at the close of the Nov. 30 fiscal year, Frank L. Valenta, President, announced. Mr. Valenta emphasized that the Nov. 30 net assets of $2,560,256 represented a gain of approximately 400% over the $665,605 on Nov. 30, 1950 and nearly 100% over the May 31 figures.

In his remarks to stockholders, Mr. Valenta predicted that 1952 will witness a continued demand for the basic materials produced by natural resource companies. He added that such basic materials are as essential for the maintenance of American peace time standards of living as they are for the successful completion of the nation's defense program.

Mr. Valenta pointed out that the Korean war requirements are only a lesser part of the armament program. He said that the fundamental objective is to make this country strong enough to preserve peace.

During the past fiscal year, Natural Resources Fund paid out to shareholders 22 cents a share from investment income and 19 cents a share from realized security profits. Natural Resources Fund has investments in 74 companies. Net assets per share increased 63 cents to $4.65 after the payment of 22 cents a share from investment income and the distribution of 19 cents a share from realized security profits.

The number of shareholders reached a new high of 1,588, a gain of 1,075 while the number of shares outstanding totaled 550,087 compared with 165,429 a year ago and 294,086 on May 31 last.

Mutual Fund Notes

Century Shares Trust, organized in 1928 and the oldest and largest open-end investment company specializing in insurance company and bank stocks, announces that Vance, Sanders & Company will become the principal underwriter for its shares, effective Jan. 2, 1952. With the addition of this $28,900,000 Fund, the total resources of the five investment companies under the sponsorship of Vance, Sanders are approximately $565,600,000.

The other Funds of the group are Massachusetts Investors Trust, Massachusetts Investors Second Fund, Boston Fund and The Bond Fund of Boston.

It is believed that the wide distribution of investment company shares provided by Vance, Sanders & Company, through a large nation-wide group of associated investment dealers, should broaden the market for Century Shares Trust.

The Trustees of Century Shares Trust are O. Kelley Anderson, President of the New England Mutual Life Insurance Company; Charles P. Curtis, partner in the law firm of Choate, Hall & Stewart; Henry R. Guild, partner in the law firm of Herrick, Smith, Donald, Farley & Ketchum; Vinton C. Johnson and William H. Davies, Secretary of the Trust. Louis Curtis, a partner of Brown Brothers Harriman & Company is advisor to the Trust.

John Swaney has become associated with The Keystone Company of Boston, principal underwriter of the Keystone Custodian Funds, it was announced today. From 1938 through 1950 Mr. Swaney was associated with Century Shares Trust as national wholesale distributor. For the past year he was the principal underwriter of this Trust. Prior to 1938 Mr. Swaney had 18 years of extensive experience in different sections of the country in the investment banking field in sales and sales management work.

Stockholders of American Business Shares will vote at a meeting on Feb. 1, 1952 on an amendment to the management agreement, dated Feb. 4, 1949, to reduce the fee payable to Lord, Abbett & Co., as investment adviser of the Company, from ½ to 1% per annum to ⅜ of 1% per annum of the average daily net assets, retroactive to Dec. 1, 1951. Lord, Abbett & Co. have agreed to the amendment, which will reduce the operating expenses of the Company.

Common stocks acquired by Nation-Wide Securities during the three months ended Nov. 30, 1951 included 1,000 Bigelow-Sanford Carpet Company, Inc.; 1,800 Equitable Gas Company; 3,000 Falstaff Brewing Corporation; 5,000 Interlake Iron Corporation; 2,000 Pfeiffer Brewing Company; 2,000 J. P. Stevens & Co., Inc.; 1,700 West Penn Electric Company. Sales of common stocks included 1,200 Illinois Central Railroad Company and 2,300 Socony-Vacuum Oil Company. Holdings of the common stocks of Consolidated Natural Gas Company, General Public Utilities Corporation, United Paramount Theatres, Inc. and United States Gypsum Company were eliminated from the portfolio.

Investment changes of Bullock Fund in common stocks for the period from May 31 to Nov. 30, 1951 included acquisition of 2,000 shares of Air Reduction Company, Incorporated; 1,900 Allied Stores Corporation; 3,900 American Power & Light Company; 3,500 El Paso Natural Gas Company; 1,500 Glass Fibers, Inc.; 1,800 Kobacker Stores, Inc.; 1,000 Minnesota Power & Light Company; 1,400 New York Air Brake Company; 1,000 Seaboard Air Line Railroad Company; 2,000 Tennessee Gas Transmission Company; 1,000 United Gas Corporation; 1,400 Wayne Knitting Mills; 4,000 Western Leaseholds, Ltd. Eliminated from the portfolio were holdings in the common stocks of Douglas Aircraft Company, Inc.; General Instrument Corporation; McDonnell Aircraft Corporation; National Cash Register Co.; Safeway Stores, Incorporated.

Broad Street Sales announced the appointments of Peter Voorhis, Charles Boss, and Charles Derryberry as Vice-Presidents, and the appointment of Eugene Durand as Pacific Coast wholesale manager, with headquarters in Los Angeles.

Selected American Shares, on Dec. 27, paid shareholders in cash and stock approximately $1,192,754 from realized profits and $445,294 from investment income. This represented, in per share terms, approximately 75¢ a share capital gain distribution and 28¢ a share ordinary income dividend on shares valued at about $13.40 on Dec. 15, the date of record.

Outlook for Business and the Stock Market During 1952

By HAROLD X. SCHREDER*

Vice-President in Charge of Investment Research, Group Securities, Inc.

A mutual fund's economist contends, despite current capital goods boom, corrections of a very basic nature may be in offing, and nation is very likely to experience a serious "economic burp" sometime in first half of next year. Says readjustment may be softened by "frozen" inflation, farm parity support, cost of living wage payments and a permanent high money supply, as well as by government "economic offsets." Says average common stock is overvalued and, despite appearance of strength, internal action of stock market suggests weakness. Advocates build-up of buying reserves and of quality of holdings.

We are in the midst of a tremendous capital goods boom (Government and private) which, as you all know, is the most stimulating type of economic force. As a result, practically every major indicator of business activity, except corporate earnings and dividends, is most likely to remain quite firm in a rising trend into the early part of 1952.

Harold X. Schreder

On the other hand, we are late and high, not early and low, in the major business cycle and economic corrections of a very basic nature may be in the offing. Practically all types of 1930-45 accumulated demand have been met by the growing supply of goods since 1945, and in the process our economy has grown up to our money supply. Unless the war picture becomes more global (Heaven forbid!) one should watch very carefully for a turndown in the current goods boom sometime early in 1952. If this takes place, as currently indicated by the runoff of new orders, it would come at a time when cyclical demands for consumers' durables and housing are in a downtrend. In such case, we very likely will experience a serious "economic burp" beginning in the first half of 1952 which may require a couple of years readjustment before we can get back on our longer term uptrend.

Even though I doubt that we can escape a serious letdown in business beginning in 1952, barring a major war, I do not anticipate as serious a business correction as the approaching confluence of major cyclical factors historically suggests. A great deal of inflation has been frozen into the economic structure through the combination of (1) farm price parity, (2) cost of living wage payments, and (3) "permanently" high money supply.

Today there is a far greater understanding of the influence of *money* on business than in the past; money supply, therefore, should not be deflated as it has been in the past at the apex of major cyclical economic factors.

Finally, while the Government has not given us a depression-proof economy, popular belief to the contrary notwithstanding, the Government can be expected to employ all kinds of "economic offsets." It will be interesting to see what they do because so far—since 1933—the managed-economy officials have never dealt with an economic condition brought about by a confluence of major cyclical economic factors. We all appear to be in a position to learn many new things. For some it may be full of unpleasant surprises.

Value Position of Stocks

In summing up the value position of stocks—how much are they worth as opposed to their price—we find that the "average" common stock is overvalued today.

A multiple correlation of the various stock market factors discussed—earnings, dividends, etc.—reveals a current value of the average stock in the Dow Jones Industrials of 237 (current price about 265). After reaching an all-time high value of around 300 last spring, the value of the average stock has been declining, and it is our expectation that value will continue to decline for some time because the value factors are expected to decline. At the moment, we are not prepared to say how far or how fast the decline in value might be; that it will decline further, however, seems certain.

For the past several months, therefore, the average (D.-J.) stock has been rising on falling value and rising confidence (or fear of inflation). If the market is to rise further, it appears that it will have to be from a further rise in confidence (or fear). History shows that stocks can rise, even substantially, on falling value, especially if "confidence goes wild." Nevertheless, in calculating investment risk, I always feel that I am on sounder ground when a market is rising on rising value rather than on falling value and rising confidence. The latter combination has a habit of "changing its mind" suddenly.

Summary of the Technical Price Action of Securities

From an outward appearance the stock market has given the appearance of strength this year. An examination of the internal action of the market, however, suggests growing weakness rather than strength. In fact, the "market" appears to have been slowly building a distributional top pattern since last February. This probably will continue for some time yet, and may even include a "blow off" to new "market" highs.

Investment Policy in this Transition Period

What kind of an investment policy should one have at this time? Of course, as every professional manager of money knows, there is no such thing as *an* investment policy. There are several at all times, depending upon varying investment objectives. What would seem most logical, however, for the average American investor's balanced account at this time?

Certainly, as shown by the stock market's action recently, the average American investor is a bundle of fears, hopes, and confusion. Even on the expected lower earnings and dividends, he sees stocks available at what appear to be historically low multiples of earnings and relatively high yields, but he is not too happy about many undefinable things in general.

The professional manager of money is confronted with the same scene, and is similarly plagued by it. Fortunately, however, the manager of money, realizing the universal lack of complete knowledge, invests according to the degree of risk involved. During such a period as the current one of domestic economic transition, international confusion, and investor-probing for a new base on which to rebuild his confidence, who can deny that combined investment risks appear high. Two steps, therefore, clearly suggest themselves for the sound management of money: (1) build up buying reserves, and (2) trade-up in the quality of holdings.

To continue, therefore, in the specific vein I have adopted here today, I call your attention to the aggressive-defensive position of The Fully Administered Fund—our conservative Balanced Fund—which reflects our current ideas as to the sound distribution of an individual's total investible assets. As you can see, this whole discussion is far from academic to me.

You will note that because we felt that combined risks were so high before the September-October break in the stock market, we placed about 60% of the Fund's assets in cash and highest grade bonds (over 40% is in the called Government 2½s of next March). In the normal course of events this is regarded as Fully's maximum defensive position.

We have gradually worked ourselves up to this current highly defensive position since June, 1949 when we approximated what we regard as Fully's most aggressive position (80% aggressive and 20% defensive). We liked the stock market very much at that time. This does not necessarily mean that we do not like the stock market at all now; we just do not like it nearly as well as then.

Despite my obvious deep apprehensions about the current investment scene, I am not advocating such a policy as the despondent, pessimistic, self-centered Wall Streeter who told his chauffeur: "I want to commit suicide, drive me over a cliff."

Quite to the contrary, to state my investment policy another way, I could say with equal conviction that all investors at this time should have about 40% of their investible assets in good, sound dividend-paying common stocks of our country's leading productive corporations. Our whole future, basically, rests upon our ability to produce goods—for war or peace, or both. On that premise we have hand-picked 65 good quality common stocks for our fully-invested Common Stock Fund, and because I feel that they represent the hard core of American production, I have no hesitancy in recommending stocks like these for long-term investment—even at this time up to around 40% of one's investible assets.

For the overall balanced position of a total investment account, however, I feel that this is a good time to have a well hedged position, one which provides a combination of good qualities with a substantial reserve of buying power to take advantage of whatever investment opportunities present themselves.

I am confident of the longer-term prosperous road of American productive enterprise; when the road appears temporarily foggy, however, it is best to slow down, drive carefully, and watch for the traffic lights. As I view the road ahead, the investment "traffic light" certainly is yellow now. Naturally, I do not know whether it will turn read or green next, but the fact that it has been green for well over two straight years suggests the logic that it might turn red before turning green again for the longer term.

It is not a contradiction to think that the longer-term direction of stock prices is up, and also believe that the current potential elements of danger require a cautious investment policy at this time. Remember, investment success is not measured alone by the end result, but also by the degree of risk taken to achieve it. A manager of money cannot avoid having specific opinions; he can avoid undue risk.

Certainly I have not avoided specific opinions today. I have told you exactly how I feel about (1) the business outlook, (2) the value of securities, and (3) their technical price action; as for (4) the results, we will all know more about them when we gather again in 1952.

*Conclusion of an address by Mr. Schreder before Joint Session of American Finance Association and The American Economic Association, Boston, Mass., December 26, 1951.

Four Vice-Presidents For Broad Street Sales

Broad Street Sales Corporation, 65 Broadway, New York City, announces that Charles A. B. Boss, Charles W. Derryberry and Peter A. H. Voorhis have been elected Vice-Presidents of the organization. Eugene Durand has been appointed Pacific Coast Wholesale Manager of the corporation and will maintain offices in Los Angeles.

Mr. Boss has been with the corporation since 1946 and formerly was Sales Manager for J. H. Goddard & Co. in Boston. Mr. Derryberry joined the organization in 1947 after leaving Schwabacher & Co. in San Francisco. Mr. Voorhis became associated with the company in May, 1950, prior to which he was for a number of years a partner of Kalb, Voorhis & Co. Mr. Durand formerly was manager of the investment department of E. F. Hutton & Co.'s Hollywood, Calif., office, prior to which he was senior partner in the investment firm of Durand & Co., of Tucson, Arizona.

Securities Salesman's Corner

By JOHN DUTTON

The more I see of the practical side of the merchandising of securities, the more positive I become that our entire system of "so-called" investor protection, as it is now operated under the Securities and Exchange Commission, is in drastic need of revision. I do not believe that a successful and responsible securities dealer or salesman is going to willfully hoodwink his customers by deceitful and fraudulent acts, any more so than the entire medical profession would constantly perform acts of malpractice. The premise which holds it necessary for any security dealer who offers a mutual fund to deliver a prospectus to his prospect for perusal and study before consummation of the sale is, in my judgment, wholly unecessary. It is an impediment to understanding. I don't believe 10% of the people who buy mutual funds read the prospectus, or care what it contains. I believe they buy only one thing — **Confidence** in the dealer or salesman who persuades them to make the investment.

Who Buys the Funds?

Of course, I have never seen any survey of the people who now own mutual funds. Certainly there are pension funds, trust funds, institutions, and some sophisticated investors who own them. But by and large—and please check this against your own experience if you are a dealer or salesman—aren't most of the people you have sold those who are interested in safety and income, rather than the out and out stock speculators who watch the market every day? Aren't your best prospects people who know hardly anything about investment? Aren't they the ones who want to turn their investment problems over to the mutual funds?

If this is so, can you imagine how confusing, how utterly nonsensical it is, to have a prospectus forced upon them which is utterly Greek to them? They don't want to know about the legal list, about the manner in which the price of the shares is figured each day. They care less about management fees, markups, and all of that sort of thing than you do if you are selling the funds. You are the one who should read the prospectus—that is if you are a conscientious dealer and salesman. The logic is simple. If the SEC and the NASD have the present right to go through your books and records with a fine tooth comb; if the Securities Commissions in the various states can put you out of business; if the Attorney General's office can pick up your records and keep them for months at a time, even without a charge, or a case against you of any wrong doing—**and All These Things Are Possible Today, and Are Being Done All the Time**—then aren't you the one who **Is Now Forced To Use Care, and Fair Methods of Dealing**, in the sale of securities? What good will it accomplish if you give a prospect a prospectus that is all gobblygook to him? Will it protect him?

How Much Harm Can You Do?

Assume for example that you sell a widow some mutual funds. Let us assume that you sell her any of the funds available today. What if you sell her a good balanced fund? What if she needs her money a month from now? What if she loses 8%? Will that put her in the poor house? Of course, a good securities man will see to it that she has reserves for a rainy day in the savings bank. But from a practical standpoint, and I am only arguing my point (not recommending it) if she buys a fund and takes a loss of 8%, it also could have been a lot worse than that if she had bought some undeveloped land, a piece of speculative real estate, or put some money into a business where it wasn't liquid. It might be much more serious if our widow put too much money into the **wrong type** of fund, and got caught in a sliding market and then had to sell. There are so many other factors besides what the present regulations call misrepresentation, that are important in protecting investors. How much can you hurt a widow or an orphan, when you sell them a good mutual fund? Are there any mutual funds that are unsafe? Possibly so, I don't know. But I can assure you that under today's competitive situation in the fund business, there are very few registered securities dealers in this country that don't know these lemons if they exist. Isn't that right?

This is just one small phase of the entire subject. I am fundamentally interested in sound selling policies in the securities business. I believe that the men who are retailing investments today are also interested in the promotion of the highest standards and ethics. This is because it is morally right, and also because we know it is good business.

But I do affirm that it is time we made a review of the present Securities Acts. I believe we should come out of the dream world in which we have been trying to merchandise our products, and live realistically. I believe the public needs an education. I believe that the people in the securities business today, the mutual fund industry, the good over-the-counter firms, the various wire houses, all have character and substance. I believe we are coming to a time when we must tell the men in Congress who make our laws, "listen to us for a change." We know this business. We know what our business lacks, and we know what it needs in the way of assistance and new legislation.

The day is long past when securities dealers were unaware of their public responsibilities. If the investment industry cannot lead the way to a better understanding of investments, and what constitutes sound procedure by the so-called investing public, someday this nation may have cause to regret it. I don't believe pushing a mumbo-jumbo document down the throat of Mother McCrea will protect her. Nor will it help the securities business, or make for better times, or stimulate the investment of private capital in American industry.

McDaniel Lewis Co. Becomes Partnership

GREENSBORO, N. C.—McDaniel Lewis & Co., Jefferson Building, becomes a partnership as of Jan. 1, 1952. The partners are, besides McDaniel Lewis, Robert B. Dixon and Marshall H. Johnson, both associated with Mr. Lewis for several years under the proprietorship. Having started in the investment business in the municipal bond field in the first half of 1922, and later becoming also interested in local and general market over-the-counter corporation stocks Mr. Lewis has thus been for 30 years engaged in this field.

Continued from page 4

Investment Impact of Pension Fund Accumulations

purchases of U. S. Government bonds were most important. Public utility and industrial bonds became the principal outlet for funds in the early postwar period as the volume of new offerings expanded rapidly. In recent years, purchases of common stocks have become much more substantial in view of the higher return available. Pension trusts are undoubtedly also a factor in the current favorable market for convertible preferred issues.

Thus, we can observe the natural tendency for new money to be put to work where the values seem most attractive for long-term investment. Does this mean that there will be greater stability in the prices of common stocks? My answer is affirmative for a term of years but not necessarily for short periods of time.

Because of their rapid rate of growth and because of the desire to avoid bad timing in such investments, many pension trusts make use of the dollar averaging principle in acquiring common stocks. By budgeting a fixed amount from contributions for weekly, monthly, or quarterly purchases, the trustee is assured of making his investments in all phases of the market. In most cases, this kind of a program provides for the possibility of discontinuing purchases if the rate of return becomes materially less attractive. On the other hand, if prices should decline materially, the amount appropriated for stock purchases is likely to be increased. Thus we have a modest contribution to stability in market prices.

It is evident, however, that pension trusts will not be much of a factor in short swings in the market nor in intermediate advances or declines in prices. Major revisions in policy are not made in haste or just because the market has a sinking spell of a few days or even weeks. Also, pension trusts may be sellers at times as well as buyers. This would be especially true if there should appear to be in prospect a serious deterioration in the profit position of business.

It is sometimes asserted that the concentrated buying of seasoned equities by pension trusts will gradually drive up prices to a point where they will no longer provide adequate yields. Furthermore, it is argued, the new issue market will become favorable only to these well established companies. Such statements, it seems to me, result from an incomplete analysis, ignoring what may happen to the funds received by those who sell stocks to pension trusts. Presumably the former holders, on balance, invest in other equities of lesser quality or personal businesses of one kind or another. It should be borne in mind that it is immaterial at what point an addition is made to the stream of equity capital insofar as measurement of the aggregate supply is concerned. If that stream is free to flow in all directions, it is not too important whether the funds are added with a "venture capital" or a "prudent man" label.

It is sometimes argued that this is an interesting theory which does not work in practice. At times, this opposite conclusion cannot be refuted. However, the implications are not that pension funds fail to contribute to the equity market, but that attractive reinvestment opportunities are not afforded those who make the sales. The reasons may have their origin in an unfavorable economic outlook or they may be traceable to the poorly conceived tax structure under which business operates.

A fair case can be made for changes in the types of securities offered to institutional investors such as pension trustees who have no tax problem and who are interested in maximizing a relatively stable income. Individuals, on the other hand, have less interest in income and more in capital gains which are taxed at lower rates. Within the limits of sound financial practice, it can be argued that more leverage should be introduced into the equity capitalizations of many companies. The use of convertible preferred stocks does this, of course, in one way. Another device would be to revive the simple type of class "A" stock which enjoyed a preference as to dividends up to a certain amount, after which it shared with the class "B" common stock. The availability of such a senior participating equity might broaden the list of companies in which institutional investors would be actively interested. The history of corporation finance is replete with illustrations of how securities have been tailored to meet the needs of different holders.

Financing the Federal Government

At the present time, we are apt to think only about pension funds making a selection from the great abundance of corporate securities available because of the existence of peak demands for private capital. What will be the situation when the demand for funds is considerably less active? The volume of state and local financing, revenue and authority issues, and public housing bonds could provide a very substantial offset to the decline in corporate borrowing, but this would involve a major adjustment in yields since tax exemption is of no value to pension trusts. On the other hand, the security provided by such issues is attractive and the absence of early call dates in most cases is a desirable feature.

Obligations of the Federal Government, however, are likely to be a major outlet for funds under depressed conditions in the field of capital investment. If the budget should be balanced on a cash basis, the Treasury would be afforded an opportunity to refund short-term paper held by the commercial banking system. If a deficit should exist, on the other hand, the Treasury could raise long-term funds readily from pension trusts and other savings institutions. In both cases, the financing would be anti-inflationary but at a time when presumably inflation would be among the least serious causes for concern. One possibility would be to discontinue the promotion of savings bond sales to small investors, although it is doubtful that such a step would be taken.

That pension trust operations may not be very helpful to the Treasury in its debt management problems is being illustrated at the present time. In the presence of inflationary tendencies in the economy, it would be most desirable to place bonds with nonbank investors, but alternative investment opportunities in corporate securities are much too attractive and net purchases of governments, if any, are likely to be of nominal proportions in 1952. This situation will change, of course, if private demands for funds decline late next year or in subsequent months.

The influence of the growth in pension trusts upon debt management problems is, however, not particuliarly germane to this discussion.[1] The extent of investments in government securities is more significant in its bearing upon the rate of return which can be earned. The question is still raised from time to time whether the growth in these funds will be so rapid as to outrun private investment opportunities. If this should happen, it is argued, the declining interest rate would increase the pension reserves required and further augument the flow of funds into the capital markets.

Actually, this is not a serious problem because the magnitudes involved are merely substantial and not astronomical. It is evident that the tremendous public debt provides much more than enough elasticity to the capital markets. On the whole, the situation is basically healthy. Another important type of investor has been developed for the purpose of gathering funds and channeling them into the development and expansion of trade and industry. The structure of rates offers a premium and an incentive for taking some risks in financing private corporations. We can all recognize this as the effective way to cultivate the path of progress toward an ever-rising standard of living.

[1] For a discussion of this subject, see the writer's "Federal Debt Management and the Institutional Investor," *Law and Contemporary Problems*, Duke University, January 1952.

Laidlaw Co. Admits Two General Partners

James R. Laidlaw   Frank L. Lucke

The admission of James Robert Laidlaw and Frank L. Lucke on Jan. 2, 1952, as general partners of Laidlaw & Co., 25 Broad Street, New York City, members of leading securities exchanges, was announced Dec. 28.

James Robert Laidlaw has been associated with the firm since 1946. Prior to service with the U. S. Army Air Force, he had been with American Type Founders. He is the son of Elliot C. R. Laidlaw, senior partner of the securities firm.

Mr. Lucke joined Laidlaw & Co. in 1945 as manager of the firm's newly organized municipal bond department. Prior associations include Manufacturers and Traders Trust Co. of Buffalo and J. A. Ritchie & Co.

Paul E. Burdett retired from the firm Jan. 1.

Arnold Cowan V.-P. Of Wm. E. Pollock

Arnold M. Cowan has been elected Assistant Vice-President of Wm. E. Pollock & Co. Inc., dealers in U. S. Government securities and underwriters and dealers in State, municipal, Housing Authority, revenue, railroad, public utility, industrial bonds and equipment trust certificates. Mr. Cowan makes his headquarters in the firm's Beverly Hills, California office, 232 South Beverly Drive.

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Mobilization and The Business Outlook

tion later in 1952 in which, when this inventory condition begins to work off (as it must work off, as construction and consumer durable goods activity are progressively cut down by CMP) the procurement labor force will be recalling to your minds memories of a 1942 shipyard night shift poker game. In the perspective of the inflationary prospect I have tried to describe, that spells runaway wages and runaway prices in a set of circumstances in which higher tax rates will not be balancing the budget or stabilizing the economy.

Less Civilian Production and Purchasing Power

Carrying this one step further, the munitions buildup that will increase government spending and that will be required to process these critical materials up to the level of the objectives of what I call the spinning generator theory, will leave civilian industry with less and less to produce at a time when more and more purchasing power will be generated by the government spending flowing into the procurement industries, where the payrolls will be.

No one knows how many months it will take to work our way out of the inventory recession which is now more or less severe in various phases of the economy. It is apparent, though that construction particularly, a potential source of purchasing power, and consumer durable goods activity in general, will continue to decline at a time when purchasing power will rise, thereby forcing the consumer public to take inventory off the market at seller's prices.

Inventory and Purchasing Power

One of the most practical economists in DPA thinks that the entire controls system has delayed the process of inventory liquidation. But sooner or later, faster or slower, in this long, long siege to which we are committed, it is apparent, it is inescapable, that consumer durable goods and construction materials inventories will be worked off, that purchasing power will rise instead of fall, and that we will be forced progressively from consumer spending for hard goods, to consumer spending for soft goods. From a business standpoint, as well as from the standpoint of what you might call the national civilian reservoir of consumer goods, all of what I say, however complicated it may seem, however interrelated these complications and uncertainties and unpleasantnesses may be, adds up to a single point which is: nothing is more shortsighted than any disposition to join in a flight from inventory during this time of transition into the long and cruel siege which lies ahead in which inventory will be as certain and as reliable a sinew of strength from the national as well as from the private business standpoint as the jets, the tanks, and the electronics, the production of which is producing the shortages which promise to underwrite value for the inventories whose troubles, I promise you, you will forget before 1953.

Economists Forecast Price Stability Despite Heavy Spending

Conference Board's meeting of economists sees "inexorable" upward trend in Defense expenditures, without marked increases in prices. Participants predict rise in retail trade and personal consumption.

Twelve of the nation's top economists discussed the business outlook for 1952 at the latest "evening with the economists" held Oct. 8, 1951 under the sponsorship of the National Industrial Conference Board.

The Forum addressed itself to the problems of government spending, capital formation, consumption, retail sales, prices, wages and "qualitative differences."

Government Spending

There was no dissent from any member of the Forum to the inexorable upward trend of defense spending in 1952. The increase anticipated ranged from $25 billion to $30 billion. Some question arose as to whether the rate of acceleration in the second half would be as high as in the first half, but it was agreed that defense spending would rise throughout the whole of the year.

Capital Formation

In the area of private capital formation there was very little exception to the outlook that expenditures for plant and equipment by private industry in 1952 would continue at current peak rates, if not at higher rates. The major questions about capital formation arose not in the area of new factory plant and equipment but in the areas of residential and commercial construction and in inventories. It was felt that home building and other commercial construction unrelated to defense would decline. Likewise, there was general belief that an inventory accumulation as great as the $17 billion of the past year would not be repeated. Considerable emphasis was also placed on the heavy inventory position of the consumer and the restraint that this situation would exert upon the whole pattern of inventory accumulation at the business level.

In summing up the components of private capital formation, it was felt that such expenditures in 1952 would be a bit lower than in 1951 and hence would permit meeting rising defense needs without additional inflationary pressures. "Thus far, then, we show a substantial rise in government purchases of goods and services in 1952, with some offset arising from a prospective decline in private investment."

Consumption

The third, and by far the largest component of gross national product, is personal consumption expenditures. That is usually regarded as a "residual."

There seemed to be strong convictions that the savings ratio for a garrison state — or within an economy that was spending, would bulge above peacetime levels. Savings, it was felt, might decline somewhat, percentagewise, from the high rates present in the second and third quarters of 1951. "But they should average 7%-8% of disposable income." The Forum differed here from the expectations of the Joint Committee on the Economic Report and others who looked for a return to a savings ratio of about 5%.

Retail Sales

On the whole, the Forum appeared to anticipate a further rise in both retail trade and total personal consumption. In part, it was thought, this would stem from a rise in prices; in part, from greater unit consumption. There was little dissent from the group that the GNP (Gross National Product) in 1952 would be somewhat higher than in 1951, in part as a product of greater physical volume and in part as a product of price increase.

Prices

There was some indication that although we look forward to no marked increase in price in 1952, we do look for some increase in price. When asked to quantify those figures, Mr. Gainsbrugh said "I would say that our guesses were of the magnitude of $335 billion to $340 billion GNP in 1952. This would amount to an increase of 2%-4% over the average GNP for 1951, with part of the gain representing price increases."

Wages

The Forum felt that wages in 1952 would, for the first time, test the supply-demand relationship "to a far greater extent than in past wage negotiations." Secondly, it was generally agreed that the cost of living would "not rise much" and hence "would not figure prominently as a factor in wage increases" as in the past.

The general tone of the discussion was that the inflationary gap, or the prospect of strong inflationary pressures in 1952, was not so marked as a year ago. Expanded personal savings "will also contribute toward closing the inflationary gap. Continued price pressure of the magnitude that we knew in the immediate postwar years does not seem so imminent for 1952."

Qualitative Differences

Emphasis was placed on the qualitative considerations as well as the quantitative aspects of a garrison state. In general, far less certainty and far greater difficulty of analysis was noted. "It may well be that as the garrison state continues, not only in 1952 but in the years beyond, we will find more things going counter to than conforming with our postulates and our assumptions."

The economy of '52 is one that will need constant study and constant appraisal, the panel agreed. "The shape for the forepart of 1952 is seen far more clearly than we do for the closing half of 1952. Despite all the strong points that we see in terms of the business outlook for '52 most of us subscribe to the thesis that the threat of long-run inflation is still a major menace to our civilization and our society."

The Participants

Clyde L. Rogers, Secretary of the Board, presided as Chairman and Murray Shields, Vice-President and Economist, Bank of the Manhattan Company, was Discussion Leader.

Those participating in the Forum were:

Jules Backman, School of Commerce, Accounts and Finance, New York University.

Louis H. Bean, Economist, United States Department of Agriculture.

Solomon Fabricant, National Bureau of Economic Research, Inc.

Martin R. Gainsbrugh, Chief Economist, National Industrial Conference Board.

Edwin B. George, Economist, Dun & Bradstreet, Inc.

A. D. H. Kaplan, The Brookings Institution.

Malcolm P. McNair, Graduate School of Business Administration, Harvard University.

M. Joseph Meehan, Director, Office Business Economics, United States Department of Commerce.

Murray Shields, Vice-President and Economist, Bank of the Manhattan Company.

Helen Slade, Managing Editor, "The Analysts Journal."

Bradford B. Smith, Economist, United States Steel Corporation.

Woodlief Thomas, Board of Governors, Federal Reserve System.

Canadian Securities

By WILLIAM J. McKAY

Great as has been the spectacular growth of Ontario and Quebec, and the recent advance through oil discoveries of the province of Alberta, it now appears likely that the Dominion's vast Pacific coast area of British Columbia will soon steal the limelight of Canadian economic development. Although the immense natural wealth of the province has long been apparent, its remoteness from the industrial areas of Eastern Canada, lack of adequate transport facilities, and inadequacy of population have hitherto prevented rapid progress.

In recent years however great strides have been made in industrial and hydro-electric power development. The vast Consolidated Mining and Smelting Company, the world's foremost lead, zinc, and chemical producer is now embarking on ambitious plans for new power and mining expansion. These include the possibility of the establishment of a West coast iron and steel industry which would involve electric smelting of B. C. iron-ore. The Vancouver Rolling Mills is also giving consideration to a similar project. The province's largest industry—forest products—is likewise becoming more diversified in its activities. Plywood production has been sharply expanded in recent years. The Columbia Cellulose Co., has established a new $27 million pulp mill near Prince Rupert, and production of pulp, paper, and newsprint will be further boosted following the construction of the $30 million newsprint mill at Duncan Bay sponsored by Pacific Mills and the Canadian Western Lumber Co.

These projects however are overshadowed by the vast $550 million aluminum smelting undertaking of the Aluminum Company of Canada which will extend British Columbia industry into the rich but empty northern areas of the province. The B. C. government is also lending valuable assistance in opening up to civilization this hitherto neglected area of tremendous natural resources. A new highway will shortly be completed that will connect Prince George to Dawson Creek. Also the P. G. E. Railway, which previously had no apparent reason for its existence, is to be extended from Quesnel to Prince George, and a second section from Squamish to Vancouver is under active consideration.

The area which will be served by these new transport facilities extends from Quesnel through the fertile Peace River district to the northern boundary. This vast region of untouched natural resources is known to contain millions of cords of high-grade lumber and pulpwood, oil and natural gas formations similar to those in Northwestern Alberta, more than 5 million acres of arable land, and 2 billion tons of highest-grade coal. The unlocking of this new northern frontier will be further facilitated when it is more generally known that the climate of this area is by no means as forbidding as its northerly latitudes would normally suggest. As a result of the influence of the warm Japanese current the climate of the Canadian Pacific North West is decidely more temperate than the areas situated in similar latitudes in Eastern Canada.

The early development of this area however will not be possible in the absence of an adequate population. In this connection it is interesting to consider the bold but as yet vague plans for large-scale immigration from the British Isles. Already the population of British Columbia is more predominantly British than any other Canadian province, and in the likely event of active encouragement by the Conservative government of emigration to Canada this new area would readily attract British settlers. In this event it would be difficult to place too high an estimate on the economic potential of the Canadian North West.

During the week the external section of the bond market was dull and unchanged. The internals were also quiet but with the present high level of the Canadian dollar there were indications of small scale liquidation. It is possible that sales of this kind might increase notably in volume as U. S. holders of previously unrecorded bonds can now liquidate in a broader market at a favorable rate of exchange. Stocks moved ahead in the closing sessions of the year led by industrial issues. Western oils and base-metals were also in good demand and although there was little change in the golds there was still evidence of investment accumulation on expectations that the price of gold will eventually be permitted to rise to a less artificial level.

Paul Rudolph Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul C. Rudolph & Company, 127 Montgomery Street, have added Lola L. Turner to their staff.

With Henry A. Young Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leola B. MacDonald has joined the staff of Henry A. Young & Co., 235 Montgomery Street.

Continued from first page

Outlook for 1952 and Beyond

lose the right to strike or to bargain intemperately. And new fiscal techniques, involving much more compulsion as to the volume and disposition of saving, would be adopted. In general, production would rise, we would experience neither inflation nor deflation of prices and little or nothing would be heard about business as usual, strikes as usual or politics as usual.

Second: IF in 1952 there is no change either for the better or for the worse in the international situation, it is likely that the year ahead would bring:

—a moderate increase in total industrial production with military output up sharply and civilian goods production down moderately;

—plant and equipment expenditures not greatly changed in the first six months but drifting downward in the second half of the year;

—rising governmental expenditures but with the peak somewhat less than the target figures now being used in Washington;

—a Federal budget not far out of balance for the year as a whole but showing a sizable surplus in the first half of the year and a substantial deficit in the last half;

—automobile production of about 4,000,000 units, housing starts numbering about 800,000, a new all-time high in steel production, sharply expanded machine-tool output, new highs in chemical production and a revival in the "soft" lines;

—a stock market in which the "blue chip" and "defensive" issues should do considerably better than the lower grade and more speculative stocks, and in which the action of the market as a whole is likely to be much less significant to the investor than are the changing fortunes of individual concerns and industries;

—no really decisive conclusion of the battle between the Federal Reserve and the Treasury and no major change in the policies of either agency, with first some further tightening of the markets for long- and short-term funds and then some easing;

—a moderate decline in business inventories, but a further deterioration in corporate liquidity;

—a moderate increase in bank holdings of U. S. Government securities with loans remaining on a high plateau and deposits rising slowly, and

—no major inflation or deflation in the price level but with much talk and some fear of both.

In general, if we do not have an outbreak of either all-out war or all-out peace, 1952 will probably go down in our economic history as the year of the "defense plateau" in production, prices, and incomes.

Third: IF 1952 were to bring peace, or an economic approximation thereto, we would experience a drastic readjustment likely in time to take on the characteristics of an old-fashioned business depression. Certainly, it would test to the very foundations the whole paraphernalia of full employment techniques adopted during the depression of the '30s.

II.

The Outlook Beyond 1952

For many years beyond 1952 the outlook for our economy is likely to be shaped by three powerful factors:

(1) *The inflation* which has now carried prices so high that some deflation may be either inevitable in time or avoidable only by the use of even more violent inflationary devices.

(2) *Our failure to produce a depression-proof economy* which leaves our economy vulnerable to a much deeper setback than would otherwise be necessary.

(3) *The technological revolution* here and abroad in medicine, agriculture and industry, which opens up an opportunity for a long period of vigorous expansion, great progress and unexampled prosperity.

What do these factors imply as to the long-range outlook for an economy which has had more booms and busts and more instability, but more growth and more solid accomplishment than any other the world has ever seen?

I submit that in looking beyond the phase of defense stimulation, we shall be well advised to assume that the stage has been set for a much more serious slump than formerly seemed to be likely. The economic dislocations caused by a long succession of booms have been so far-reaching that some really violent fluctuations in our economy now appear virtually inevitable.

Why We Do NOT Have a Depression-Proof Economy

Despite all of the sincere and determined efforts to make depressions a thing of the past, there are a number of reasons to believe that we do not have a depression-proof economy:

(1) The percentage of optional or postponable items in our production is at a new all-time high for we have been simultaneously making up the backlogs, building new industries and expanding and improving old ones, reconstructing the war-torn areas, building an inventory of military and civilian goods and raising the luxury-content of our standard of living —which makes for vulnerability.

(2) With consumers saving so small a portion of their incomes and with business operating at high breakeven points, the first sign of economic trouble could cause the postponement of capital outlays and a spasm of credit liquidation.

(3) The rise of nearly $300 billion in public and private debt in the past decade to a total close to $500 billion has exposed many individuals, businesses and governments to the possibility of serious embarrassment in case the economic tide turns.

(4) Labor cost inflexibility is likely to force employers who cannot cut wage costs in competitive markets to reduce their labor forces more sharply than would otherwise be the case.

(5) The Federal Government has used many of its anti-depression devices, such as easy credit, price pegs and loan guarantees, to accentuate and perpetuate the boom instead of holding them in reserve for use in depression.

(6) The argument that we are going to inflate ourselves pleasantly and profitably out of any recession before it degenerates into depression runs counter to the fact that inflationary techniques, if applied when the tide of economic activity is receding, tend to have a deflationary effect on private capital expenditures. If we resort to devaluation or to the printing presses in an effort to prevent depression, we could be catapulted into one of the most severe depressions in our history.

(7) The planners appear to be losing access to the funds necessary to their full employment programs. I doubt if any of the architects of the many "new" or "fair" deals all over the world assumed that governments would ever experience any difficulty in raising unlimited amounts of funds or that circumstances would force central banks to abandon their easy money programs. Yet, there is no major nation today which could offer a large issue of long-term bonds without causing a serious decline in the prices of outstanding obligations, and every major central bank in the world has been forced to abandon its easy money policies.

(8) The long depression of the '30s may well have set in motion a series of gigantic economic waves. After a long drought of under-investment, in which there accumulated a colossal backlog of unfinished business in the durable and capital goods industries, we experienced a period of over-vigorous capital investment by individuals, governments and business concerns. We were nearing the crest of the wave of rising investment when the outbreak of war in Korea caused still another surge upward so that the peak from which capital expenditures may in time fall is near the stratospheric level.

We are, I suspect, getting set for another punishing lesson in basic economics. The nation had to learn the hard way that the policies of the '20s could not yield lasting prosperity. Then it became clear beyond doubt that the policies of the '30s could not produce full employment. Now we are, I believe, in the process of demonstrating that the policies of the postwar '40s and the early '50s will not provide permanent prosperity but will, on the other hand, lead to depression.

My concern as to the nation's economic vulnerability is, it must be pointed out, not shared by many other observers.

One group believes that the Federal Reserve authorities can and will prevent any deflation of the money supply, that agricultural price pegs will forestall any marked decline in farm prices, incomes or land values, that any decline in the incomes generated by private industry will be cushioned by unemployment insurance and relief outlays, that huge increases in government expenditures for loans, foreign aid, relief, public works, etc., at a time when tax revenues are declining, will result in a highly stimulative deficit, that the unions will block any spiral of wage-cutting and that government guarantees of bank deposits and mortgages will prevent any crisis similar to that experienced from 1929 to 1934 or in 1920.

Another group agrees that our economy is in a precarious position but holds the view that when the government is faced with the threat of an economic reversal of consequence it will either socialize the economy in order forcibly to prevent any material contraction of employment, incomes and investment or resort to "printing press" inflation—or some modern approximation thereto—in order to stem the tide of deflation.

The first group is probably in for a surprise when it is finally demonstrated that our defenses against depression will not be effective following a boom as pronounced as that which we are in today, and the second group is likely to discover that neither the people nor Congress would tolerate either "printing press" inflation or additional socialization until we have already experienced a depression so severe and prolonged that such devices would appear to be the *only way* out of a desperate situation.

When the phase of depression will come, no one can be sure, but it will probably depend largely on how the international situation shapes up. It is not likely to occur until defense, foreign aid and domestic plant and equipment expenditures level out and begin to decline. This is now roughly scheduled for late in 1952 or in 1953, but could develop earlier if international tensions were to lessen materially, or much later if further deterioration in the international situation were to force a substantial extension of the Defense Program.

Technological Opportunities for Long-Range Development

Despite such misgivings, there is every reason for an optimistic appraisal of the broad, long-term trends in our economy. Our potentials for long-term development and growth are exceedingly great. We are still a virile, ingenious nation with great natural resources. The American frontier still exists, not in terms of virtually unlimited land, but rather in terms of technological development. We are, in fact, in the midst of a veritable revolution in industrial technology, affecting a wide range of fields, including power development, electronics, metallurgy, chemistry, agricultural production and medicine.

We have, it seems to me, persistently underweighed the importance of technology in economic affairs. The colossal misjudgments of the '30s when the myth of economic stagnation received such distinguished, persuasive and, at times, mystical support had their origin in an underestimate of the significance and the importance of the new industries and of the new techniques of doing old things better and cheaper that were being developed in our industrial, university and private laboratories. It is a curious commentary on the tendency of official thinking to be allergic to factors which cannot be expressed in neat arrays of statistics that several government agencies proceeded to produce elaborate tomes to prove that expansion was a thing of the past and that the vast resources of the TNEC were mustered into an effort to petrify into official thinking the notion that the nation was mature. Such a position could be made superficially plausible by the use of certain financial and national income statistics, but a few hours spent with some of our many perceptive scientists would have shown to anyone that we were, on the other hand, at the edge of a fabulous period in which

—medical technology could reduce the rate of infant mortality and prolong the span of human life so that our markets would have the benefit of an upsurge in population;

—agricultural technology could increase our farm output and raise farm productivity to permit the shift of millions of agricultural workers into industry; and,

—industrial technology could provide vast new industries for development and so many cost-saving improvements in old industries that incomes would be raised, productivity increased and real prices lowered materially.

Technology saved us from the threat of economic maturity and of under-investment and over-saving. It provided the basis for the wide range of "Buck Rogers" devices which enabled us to win the war. And it made inevitable an upsurge in investment in the postwar years.

In appraising the longer range outlook, the essential fact is that the technological revolution is far from its climax—as any scientist of vision will testify—and I would like to present a bit of documentation for that conclusion from only one segment of our economy.

The Metallurgical Revolution

The present shortage in the major metals is so pervasive and acute as to have engendered fears that future industrial expansion will be limited. The future demand for basic metals is, of course, simply colossal, for vast additional supplies will be necessary if our industry is to grow as rapidly in the future as it has in the past and if the process of industrialization in the other Western nations is to attain the quite high objectives implied in their expansion programs. But several recent developments in metallurgy give promise of eliminating the specter of chronic shortage in the vital raw materials of industrial progress:

—new geophysical and geological tools, such as the airborne magnetometer, stereoscopic and color photography, photogrammetric mapping with the use of the stereoplotter, airform profile recording, new types of seismographs, and other devices brought to development during and following World War II now enable us to locate new bodies of ores beyond the areas where surface outcroppings are present. And, since it is likely that there are vast and fabulous ore resources not now known because they are below the surface covering of the earth, but not too deep to be worked economically, the new methods of prospecting give more than promise that a systematic search for new metal resources will in time eliminate the threat of shortage. These new devices are well beyond the pilot plant stage; they are now being used economically and effectively, though on a limited scale;

—new methods of mining involving much more efficient lifting and stripping equipment; new types of equipment for ore movement, including conveying machinery and off-highway trucks; new and larger power shovels and means by which unheard-of depths of open-pit mining are feasible promise to lower the cost of the mining process substantially over the years ahead;

—new methods for ore separation and concentration, such as improved magnetic separation, the use of heavy media in sink or float processes, wider utilization of oxygen and of such expedients as high pressures in blast-furnace operation, are leading to spectacular advances in the smelting of metals from their ores, which increase utilization and permit the productive use of lower grade ores, new, or not so new, metals with new uses, such as titanium, magnesium, barium, indium, iridium, aluminum, palladium, tantalium, tellurium, tungsten, manganese and others, are sure to find large-scale application not only as substitutes for other metals but also in opening up wholly new areas of metal use, and

—new methods of metal fabrication, such as cold as well as hot extrusion, precision forging and casting, improved automatic machining processes, modern systems of seam and continuous welding, and improved electrolytic processes for coating metals can and will lower the cost of metal fabrication by substantial amounts.

In view of so profound a revolution in metallurgy, are we not justified in assuming that if our government will carefully devise policies to insure the full development of the potentialities involved, the risk of an embarrassing shortage of the basic metals can easily be avoided? And, of far greater importance, the revolution in metallurgy could lower the real cost of metal end-products by amounts so significant that metal use in industry could be increased rather than con-

tracted. But metallurgy is only one of many areas where the "revolution" in technology gives promise of providing stimulation to our economy over the years ahead. Therefore, even though one is pessimistic enough to believe that we do not have a depression-proof economy and to expect some serious downswings from time to time, the facts of technology provide assurance that the long-term trends can be sharply upward and that economic maturity need not be of serious concern for many decades to come.

Potentialities for Prosperity in the American Hemisphere

There are, moreover, in this hemisphere, to say nothing of other less-well developed areas of the world, countries with rapidly growing populations, vast untapped natural resources and large potential labor supplies. Our capital and technical "know-how" can and, in my opinion, will find challenging opportunities in these directions which can prevent any depression from becoming a national disaster and bring us—once the phase of readjustment is completed—into another period of great progress and prosperity.

No appraisal of our outlook could be complete without a more detailed discussion than time will permit of the extremely favorable prospects and potentialities for our neighbors to the north and to the south. Suffice it to say, that this hemisphere is underpopulated and that with modern medical techniques being applied so vigorously in a frontal attack on the basic causes of high infant mortality and for the major diseases which lower production and shorten lives, a vast upsurge in population is under way, which can increase production and expand markets for a long while ahead. Furthermore, there is in process all over this hemisphere a rapid application of modern agricultural techniques, which is increasing agricultural production, lowering its real cost and releasing workers for other productive activities. All this is helping to provide the labor resources needed for one of the most aggressive efforts ever made quickly to industrialize a large area of the world's surface.

The population of the nations of North and South America—now approximately 300 million—may, in the next two or three decades, rise to a figure not far from 500 million. And it is a fact of massive significance that the rate of industrialization in the other nations of this hemisphere seems destined to be much more vigorous—though from a lower base—than will be the case in our own country. There are opportunities here for the sort of expansion in trade and investment which can spell progress and prosperity for everyone concerned.

A Depression Is Not Inevitable If Basic Policies Are Changed

With so many powerful forces making for long-range growth, it is incredible that faulty planning and inept management of our economy have presented us with the threat of a wholly unnecessary depression.

Peace **should** be the most stimulative thing that could happen to this war-weary world and if it ushers in a depression it will be only because our Government has mismanaged us into an inflationary boom and is unwilling to adopt a constructive program for the period when defense outlays decline.

The potentialities for peacetime prosperity are tremendous. For the nations of Western Europe peace should eliminate the threat of defense-induced inflation, increase the volume of goods available for export so that foreign markets could be rebuilt, restore balance to their foreign payments and release funds for the expansion and rehabilitation of their industries. For most of the less-well developed nations, peace could open up access to the machines, techniques and capital with which they could accelerate their industrialization, modernize their agriculture, and exploit their presently untapped mineral and power resources. And for the United States, peace would free resources for building the schools, roads and homes we need so desperately and provide our industry with an opportunity to take full advantage of the revolution in technology—of which only the surface has as yet been scratched.

In an environment so full of short-range danger and long-range potentialities, are not our government policy-makers under an obligation to devise a new anti-depression program appropriate to our present circumstances? The problem is, of course, one of finding new stimulants for application at a time when more inflation could explode an already dangerously extended economy and when government expenditures are already so high we can no longer look to increases in government outlays as an offset to declines in the private economy. May I suggest that the danger of a deep and prolonged depression would be reduced materially if our Government were to:

(1) Declare its determination to return — once and for all — to sound money based on (a) balanced budgets (b) reduced fiscal exposure from unfunded floating debt and (c) an independent Federal Reserve Board free from interference from the Treasury and from any responsibility for supporting government bond prices.

(2) Announce that when defense expenditures decline it will reduce taxes immediately and avoid any temptation to seek other ways of spending the funds now going into defense.

(3) Obligate itself to abandon direct controls over prices, consumption and investment at the earliest opportunity—which means now in some cases.

(4) Inaugurate programs to eliminate the frills and the fluff in defense spending and to reduce non-defense expenditures which have become so bloated in the past few years.

(5) Demand that organized labor abandon its program of wage-inflation and assume responsibility to aid in increasing productivity.

(6) Insure the full development of the technological revolution by reorganizing our tax structure so as to stimulate exploration and research, and by recasting our foreign investment program to aid the nations of this hemisphere and of other less well developed areas to accelerate their own development.

Measures such as these would, I feel sure, provide powerful new economic stimulants which could quickly overcome any deflationary effects of a reduction in defense outlays, and save us from another spasm of depression and deflation.

The need of the time is for the development and adoption of a new blueprint for depression-proof prosperity. And if, as I believe, we are justified in assuming that the road to economic stability and strength is not to be found in either the policies of the twenties or of the thirties or of the forties, then we are under the obligation to do some really constructive thinking about the problem of how, under modern conditions, we can make our society fully productive and vitally strong. I sense that we are reaching for a new set of economic values today—under the pressure of events which demonstrate all too clearly that the ideals of communism are but a cloak for aggression, that Socialism is but a method of distributing austerity, that big government invites political abuse, that government planning has not saved us from inflation, that the world cannot be prosperous if each individual nation erects around itself an iron curtain to prevent the free movement of people, capital, or goods, and that personal savings rather than government expenditure represent the only non-inflationary source of funds for expansion. I am optimistic enough to believe that this is likely to be a time when we **will** profit from the mistakes of the past and chart out for ourselves a set of economic policies, plans and programs which will enable us to prevent the next depression from being either as devastating or as prolonged as that of the decade of the thirties and will make our long-range outlook one of progress and prosperity and peace.

Leslie Barbier With Ingalls & Snyder

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange and the New York Curb Exchange, announce that Leslie Barbier has become associated with them in their trading department.

Leslie Barbier

Mr. Barbier, whose term as President of the Security Traders Association of New York expired on Dec. 31, is also a member of the Corporation Bond Traders Club of New York. He joined the G. A. Saxton & Co. staff in April, 1944, and previous to that was in the trading department of Hornblower & Weeks for ten years.

Detroit Stock Exch. Annual Election

DETROIT, Mich.—The Detroit Stock Exchange Annual Election will be held Tuesday, Jan. 8, to elect three governors and a nominating committee for the ensuing year.

Nominees for the Governing Committee are as follows: Charles Errol Exley, Charles A. Parcells & Co.; Joseph Albert Mahoney, Bennett, Smith & Co.; George A. McDowell, George A. McDowell & Co.; John K. Roney, Wm. C. Roney & Co., Ralph Rotsted, Floor Trader, Member of Detroit Stock Exchange, and Henry Vander-Voort, Nauman, McFawn & Co.

Governors having unexpired terms are Dan Byrne, Paine, Webber. Jackson & Curtis; Gilbert S. Currie, Crouse & Co., and Sidney J. Forsyth, Baker, Simonds & Co., whose terms expire in January, 1953, and Lawrence H. Dilworth, R. C. O'Donnell & Co.; Seabourn R. Livingstone, S. R. Livingstone & Co., and Frank E. Voorheis, Goodbody & Co., whose terms expire in January, 1954.

Following the election, the Governing Committee will select officers for 1952.

Milton Roth Joins G. C. Haas & Co.

G. C. Haas & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, announce that Milton Roth is now associated with the firm. He was formerly connected with Hay, Fales & Co.

Railroad Securities

Denver & Rio Grande Western

In line with a recent ICC accounting decision it will now be necessary for railroad security analysts to revise earnings estimates upward. The Commission has ruled that the carriers may not charge amortization of defense facilities in their earnings reports. The facilities must be charged off at the regular depreciation rates. This ruling, of course, applies only to published earnings reports — for income tax purposes the higher amortization rates may still be charged rather than the regular depreciation. The effect of this new ruling will be to inflate earnings somewhat during the next five years and reduce them in subsequent periods.

Most, if not all, of the railroads have been charging amortization on authorized defense facilities (largely new equipment) during 1951. It will presumably be necessary, then, to reverse these charges in the accounts for December. For the Class 1 carriers as a whole such amortization charges are indicated at about $45 million for the 11 months through November. Reversal of the portion of amortization that is in excess of regular allowable depreciation will, it is estimated, bring 1951 net income close to $670 million. Previous estimates had generally been in the $625-630 million range. This will compare with net income of $783.4 million in 1950.

While earnings for the carriers as a whole were lower last year than they had been in 1950 there are a few roads that will show year-to-year gains when the final figures are in. Probably the best relative showing will be that of Denver & Rio Grande Western. Month by month this road has been reporting consistent improvement. This was true even in November although in that latest period the gain compared with the 1950 month was no more than nominal. For the full 11 months net operating income climbed to $10,584,735 from the $8,665,661 reported for 11 months a year earlier.

At the time of this writing the full breakdown of November earnings is not yet at hand. Earlier reports, however, are particularly impressive in their indication of a continuing sharp improvement in operating performance. For the period through October gross revenues were up nearly 20%, which in itself was a better showing than that of the Class 1 carriers as a whole. This better-than-average revenue performance is by no means the whole answer to the company's earnings gains. A far more important factor has been the consistent improvement in operating efficiency.

The most impressive factor in the Denver & Rio Grande Western picture has been the further cut in the all-important transportation ratio. The company has been far more successful than the industry as a whole, and most of the carriers individually, in offsetting the serious rise there has been in the last year in wages and other costs. For the 10 months through October the transportation ratio was down to 32.2%, or 2.6 points below that of a year earlier. The magnitude of this accomplishment is obvious when it is considered that each point decline in the ratio is equivalent, after a 52% Federal income tax, to more than $1 a share on the outstanding common stock.

Even in 1950 Denver & Rio Grande Western had shown substantial earning power in relation to its present capitalization. Per share results in that year came to $13.45, before sinking and other reserve funds. For the 10 months through October, 1951, they came to $14.17 or just about $6 a share ahead of a year ago. For the full year 1951 it appears almost certain that the company earned at least $18 a share on its common stock, before funds. These funds probably came to around $1 a share. These results would appear to give firm support to the general bullishness there is among railroad analysts toward the company's securities.

Joseph Nye Partner In Neergaard, Miller

Joseph S. Nye has been admitted to general partnership in the firm of Neergaard, Miller & Co., 44 Wall Street, New York City, investment advisers and members of the New York Stock Exchange.

Joseph S. Nye

Mr. Nye came to Wall Street in 1918 when he joined Freeman & Co. from which firm he has resigned as a partner to take up his new duties. He is a member of the Executive Committee of District No. 13 of the National Association of Securities Dealers, Inc., The Bond Club of New York, The New York Society of Security Analysts, The Corporation Bond Traders Club in New York, and The Security Traders Association of New York.

Dinckelacker Is Wm. Pollock Officer

John W. Dinckelacker has been elected Assistant Secretary of Wm. E. Pollock & Co., Inc., 2[illegible] Pine Street, New York City, dealers in U. S. Government securities and underwriters and dealers in State, municipal, Housing Authority, Revenue, railroad, public utility, industrial bonds and equipment trust certificates. Mr. Dinckelacker has been with the firm for many years.

Barham & Cleveland Formed in Florida

CORAL GABLES, Fla.—Kingsley Barham III and Frank M. Cleveland have formed Barham and Cleveland with offices at 2207 Ponce de Leon Boulevard to act as underwriters, distributors and dealers in general corporate securities. Mr. Barham was formerly associated with Gearhart, Kinnard & Otis Inc.

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As We See It

the government from the public would, all of it, be reflected in either an increase in assets or a decrease in liabilities. Yet, due primarily to the strange way in which the social security law is framed, such is far from the fact. Cash flows into this trust fund, and hence into the general coffers of the Treasury, via the issue of obligations of the Government of the United States. The flow of cash in and out is registered in the so-called cash budget, but not the debt increase. Thus the cash deficit, when it occurs, is always smaller than the regular deficit; and the cash surplus, when a surplus occurs, is always larger than the so-called budget surplus. Thus it makes good reading for the politicians who are "in." Worse still, it draws attention away from the fact that a cash surplus is as often as not accompanied not by a decline but by an increase in the liabilities of the nation. It is part and parcel of the social security hoax.

Another Whopping Deficit

It would appear dollars to doughnuts, in any event, that the estimates of the President, whether on a cash or a budget basis, will carry another whopping deficit. Whether that deficit actually eventuates any more than did the one predicted for the fiscal year, 1951, will, of course, remain to be seen. Unless the Administration has reached a decision to slow up rearmament—slow it up, that is, on paper; it is already slowed up in fact—outlays during the year ended June 30, 1953, must be put down officially at this time as very large. This is an election year, of course, and in such a year almost anything can happen, but there is little or nothing as yet to suggest that the President intends to do any substantial chopping from defense outlays.

What we can be perfectly certain about is that any proposed reductions in nondefense expenditures will be picayunish. From time to time there have of late been discussions of cutbacks in the waste, not to say the profligacy, in Federal spending in general. They have not, however, come from the President or any of those close to him. On the contrary the official word has regularly been that the budget now was so extensively made up of irreducible items that it was idle to talk of substantial curtailment. Some show of curtailing nondefense expenditures doubtless will be made, but the amounts suggested will be millions when they ought to be billions. As to any really effective effort to place military outlays on a reasonably efficient and economical basis—well, it is hardly worth while to waste space on a forlorn hope, although we shall say once again that such action is feasible and sorely needed if not imperative.

With expenditures unlikely to come down in any great amount from the currently expected huge amounts, the only escape from a huge deficit (at least on paper) lies in further increases in taxes. On this score conflicting reports have been coming from Washington. We repeat, this is an election year, and taxes are not popular. That is not all. Further exactions at this time in existing circumstances may well not be particularly productive. There have been many surprises during the past year, and one of them is the petering out of civilian demand for many types of goods, and that despite daily, almost hourly, warnings from Washington about impending shortages which, so far at least, have not materialized. Whether still higher taxes would produce corresponding revenue would depend in part at least upon what the course of business is to be during the current year, and on this question there are many, many views—although, we must say, none which are particularly pessimistic.

How Finance It?

One thing, and an important aspect of the situation for the coming year, is the means by which any large deficit —or even current refundings—are to be financed. We must confess to a considerable amount of skepticism about the continued "independence" of the Federal Reserve System, certainly assuming a substantial current deficit more or less closely related to rearmament. It seems to us apparent that the Treasury is having and will continue to have difficulty in financing itself at current rates so long as it does not have the wonted aid from the Reserve banks. Are we really now to have an end to the New Deal-Fair Deal notion of paying deficits conveniently by writing up entries in the books of the banks? One certainly has to close his eyes to the facts to believe that in present circumstances the commercial banks, the savings banks, the life insurance companies and the other institutions of a related sort will absorb many government obligations during 1952, or at least so it seems to us.

If the Budget Message does not have anything to say on this subject, the next question is whether the President will at some later date press Congress for enactments designed to provide some sort of special treatment for the Treasury. The fact is that the greatest danger of the deficit as now expected may well be the temptation it will provide for both the President and Congress to provide some panacea for Treasury afflictions. Both the forthcoming Budget Message and the events which follow will be well worth study this year.

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Common Stocks and Life Insurance Companies

been to add periodically to our common stock holdings all through 1951. In other words, our paper profits have remained paper profits, and who in this room knows whether these paper profits five years from now will be twice as large as they are toady; whether they will have disappeared entirely, or whether the market value of our stocks at that time may not be less than their cost price.

Market Price of Secondary Importance

Unless we contemplate liquidation now or at a future time, the market price of our common stocks is really of no great significance, not of much greater significance than the day to day market value of our home office building. What is significant is the income we shall have received from our stocks and shall have reinvested in the years to come. This income, I repeat, is money in the till.

A Life Insurance company must deal in probabilities or likelihoods rather than in hopes or possibilities. We know that the dividends paid on common stocks will fluctuate somewhat from year to year. It is not too difficult nor too impractical, however, to predict within reasonable ranges the probabilities of the outlook for minimum dividend rates on a well diversified and well selected list of seasoned common stocks. Over a period of years, errors are likely to cancel out. By contrast, in spite of the massive amount of work that has been done to find ways to predict stock prices, no one has yet found a method that is even moderately reliable. So, it seems to me, if a Life Insurance company is to buy common stocks, it should do so on the basis of the income it can reasonably expect to receive and not because of the appreciation it hopes to be able to show as a permanent proposition rather than as a phenomenon of certain phases of the economic cycle.

Question of Public Confidence

The second question which I posed earlier in this talk was whether the ownership of common stocks might jeopardize public confidence in Life companies during times of economic stress. I do not suppose anyone has the answer to this question, but at least at the present time I think it is a somewhat academic question. The new York law will exert, as it has in the past, a powerful influence on the activities of those companies which own the overwhelming majority of the assets of all Life companies. This law, as I have stated before, sets a modest limit on the volume of common stocks that a Life company domiciled in New York may hold. Companies not domiciled in New York, but doing business in that State, must "substantially" comply with the New York statute. Thus, at least for the foreseeable future, I doubt if common stocks are likely to represent a large enough percentage of the total assets of Life companies to have much effect on public confidence one way or the other.

I have not at hand a compilation of the recent distribution of common stock holdings of Life companies. However, at the end of 1949 there were only 36 companies out of the more than 600 in the U. S. who had more than 5% of their assets invested in common stocks; and the total sum so invested by these 36 companies was only approximately $90,000,000 — a not significantly high figure for an industry which at that time had total assets of approximately $60,000,000,000.

Legal and Technical Problems

The third question I mentioned earlier had to do with legal and technical problems involving common stock ownership. I believe the most important legal hurdle was crossed early this year with the change in the New York statute. The most bothersome remaining hurdle, in my opinion, is the problem of valuation for balance sheet purposes of common stocks held by Life companies. For many years, under the rulings of the National Association of Insurance Commissioners, common stocks have been carried at their market value as of the year-end.

This has meant that any appreciation or depreciation has had to be reflected in surplus, which is one of the most prominent items in a Life company's balance sheet. This has been particularly important because, unlike Fire and Casualty insurance companies, Life companies are forbidden by law from having more than 10% of their assets represented by surplus. Consequently, fluctuations in a common stock portfolio's market value have tended to have an exaggerated effect on surplus.

Beginning this Dec. 31, however, the Commissioners have taken an important step to remedy this, at least in part. They have ruled that any realized or unrealized appreciation in common stocks during the year must be offset by a reserve carried as a liability and not as a part of surplus. The intention of the Commissioners is to start a system of investment reserves which eventually they hope could be a buffer to absorb downward swings in market prices. Many of us in the business feel that this scheme should be supplemented by some method of using average market prices for valuation purposes so as to reduce the extremities of temporary market fluctuations.

Stock Market Effect

Now, what about the effect of Life Insurance investment on the stock market? Many people, particularly some of the more optimistic in Wall Street, have been under the impression that New York State's legalizing of limited common stock ownership would have a profound effect upon stock prices. At least for the reasonably visible future, I think these optimists are going to be disappointed in their expectations.

To the best of my knowledge, participation in the common stock market by the large New York life companies has been very modest since the law was changed—in fact, some of the most important companies have not entered the market at all.

As for the national business as a whole, at the end of this October, the total holdings of life companies representing 88% of the total admitted assets of all U. S. life companies amounted to only $479,000,000. This showed an increase during the preceding 12 months of only $112,000,000. These are large figures, to be sure, but not large in comparison to the market value of listed stocks which might qualify for life insurance investment.

Additions Will Be Slow

It is my strong belief that most of the life companies will make haste slowly in adding to their stock holdings. I believe many, many years will pass before the laws and customs governing insurance investment in this country will change sufficiently to make common stock holdings by life companies anywhere nearly as important as they have been in England. For those who are glancing into the far future, however, it may be interesting to note that at the end of 1948, the 38 largest British life insurance companies had a trifle over 18% of their assets in common and preferred stocks, of which about 11% of total assets was in so-called ordinary or common shares.

What is the best way of handling a portfolio? Many life companies have been investigating the possibilities of some formula plan for buying or selling, and a few companies have actually adopted such plans. It may interest you to know that the Investment Research Committe of the Life Insurance Association of America has taken an active part in helping to finance a study on this subject conducted by Professors C. Sidney Cottle and W. Tate Whitman of Emory University, which it is hoped will be published within a year.

Some companies have decided that the most fool-proof way for a life insurance company to invest in common stocks is by dollar averaging; namely, by investing a sum of money regularly each month or each quarter regardless of the level of the market. This practice of dollar averaging produces amazingly good results provided it is regularly followed—and it can be followed regularly by a life company because it always has new funds to invest. It is a more difficult method, if not an impossible method, for the average individual, and for most trust funds, to employ.

Impact on Management

One word about an aspect that has been frequently discussed; namely, the possibilities that the life companies, either individually or collectively, might through common stock ownership exert a dominating influence in the management of leading American corporations. This fear, of course, is part and parcel of the old argument concerning bigness, interlocking directorates, etc. The practical answer to it is that the managements of life insurance companies have too much common sense to ever allow themselves to get into a position where their stock ownership in a given corporation could give it any influence, real or imagined, over a corporation's affairs. Furthermore, the New York law is quite specific in saying that no life insurance company may invest in excess of 2% of the total issued and outstanding common shares of any corporation; nor may such an investment exceed one-tenth of 1%

of the admitted assets of such insurance company.

My conclusions regarding common stocks for life insurance companies are:

First—That in limited amounts, and provided sound and amply diversified stocks are selected, common equities are an excellent investment medium for life insurance investment.

Second—I believe that, over a period of time, common stocks can contribute significantly to building up the earnings of life insurance companies and thereby keeping down, or reducing, the net cost of insurance.

Third—I believe that more and more companies will add common stocks to their portfolios, and that companies now owning stocks will tend to increase their portfolios.

Fourth—Despite this expanding trend I very much doubt that life insurance companies will be as an important factor in the stock market as some people seem to imagine, at least not for many, many years to come.

Fifth—I think the change in the legal attitude toward common stock ownership by life companies is a wholesome development that in the long run will be helpful to the economy as a whole.

Lee and Hall New W. E. Hutton Partners

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange since 1886, announced that James J. Lee, heretofore Vice-President and director of the investment banking firm of Lee Higginson Corp. and Vernon H. Hall II, manager of Hutton's Boston office, have been admitted to general partnership in the firm.

James J. Lee

To accept the partnership Mr. Lee has resigned his offices with Lee Higginson Corp., with which he had been associated since his graduation from Harvard College in 1924, except for the period of World War II when he served as a Lieutenant-Colonel in the U. S. Air Force.

Mr. Hall, who joined the firm in 1937, now becomes resident partner in the Boston office, 75 Federal Street, having been Manager since 1943. From 1929 to 1937 he was with the firm of Chandler, Hovey & Co. Prior to 1929 he was associated with N. W. Harris & Co. and Harris, Forbes & Co.

Francis I. duPont Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Rex Merrick has become affiliated with Francis I. duPont & Co., 317 Montgomery Street.

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Eugene W. Lane is with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Hardy Co. Adds

Louis E. Kilmarx, formerly Vice-President of the Blue Ridge Corp., has become associated with Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange and New York Curb Exchange, as a registered representative.

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The State of Trade and Industry

the weekly magazine of metalworking. Many shops were down entirely over the long Christmas weekend, extending from Friday to Wednesday. Most defense plants, however, were an exception in this respect, holding idle time to a minimum. Continuous operations at steel mills, such as blast furnaces and openhearths, were only slightly affected, but steel finishing mills curtailed noticeably. Much the same situation is indicated for the New Year's weekend.

Strong demand for all classes of steel products is indicated well into the new year, states this trade weekly. The military and related defense take alone will run to 40% of carbon steel supply in the first quarter, estimated at 19,385,000 product tons. In some items, such as alloy and stainless steels, structurals and plates, defense requirements will run still higher. Peak defense order load still is months distant so that no particular easing in supply conditions is in prospect for the immediate future. Generally, however, with consumer durable goods manufacture curtailed, and more steelmaking capacity scheduled for completion soon, the view is spreading in the markets that many products now in short supply will be available in much more satisfactory volume by mid-1952. This, of course, is dependent upon avoidance of a costly steel strike and serious production losses because of scrap shortage. Some steel authorities predict signs of supply-demand balance in some products will appear in the first quarter.

While first quarter tonnage is virtually sold out, curtailment in civilian goods production has definitely eased demand pressure for sheets and strip, this trade publication notes. This easing, especially noticeable in cold-rolled and diversion of additional rolling time on continuous mills to production of light plates. Nevertheless, trade authorities are of the opinion the light, flat-rolled products will be in relatively easy supply by midyear at the latest, especially with substantial new rolling capacity scheduled for early completion. Fulfillment of many emergency requirements for structural steel and reinforcing bars is indicated early in 1952, thus releasing substantial production to normal consumption outlets. Expectations are alloy steel, carbon bars, oil country pipe, and plates will continue hard to get throughout 1952.

Pending better demand-supply balance in steel than at present, there is little chance government controls will be relaxed soon, "Steel" magazine declares. Actually, further tightening and extension of regulations can be expected as new developments arise attending distribution for defense programs under the Controlled Materials Plan.

Steel and related product prices are unchanged at levels frozen by the government last January. For the most part these prices have been in effect since December, 1950, when most producers announced new schedules. Future trend of prices is uncertain, being tied in with the wage issue and therefore dependent on government policy still to be definitely determined, concludes this trade paper.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 102.0% of capacity for the week beginning Dec. 31, 1951, equivalent to 2,039,000 tons of ingots and steel for castings, an increase of 0.6 of a point above last week.

The current week's rate is the highest on record for a first week of a year.

Last week's operating rate was equivalent to 101.4%, or 2,027,000 tons of steel ingots and castings for the entire industry, compared to 103.6%, or 2,071,000 tons a month ago. A year ago production stood at 98.2%, or 1,963,400 tons.

Electric Output Drops Below Previous Week's Historical High Level

The amount of electric energy distributed by the electric light and power industry for the week ended Dec. 29, 1951, was estimated at 6,921,625,000 kwh., according to the Edison Electric Institute.

The current total was 902,106,000 kwh. less than that of the preceding week. It was 442,323,000 kwh., or 6.8% above the total output for the week ended Dec. 30, 1950, and 1,428,951,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Fall 10.8% Below Previous Week

Loadings of revenue freight for the week ended Dec. 22, 1951, totaled 671,622 cars, according to the Association of American Railroads, representing a decrease of 81,572 cars, or 10.8% below the preceding week.

The week's total represented a decrease of 75,567 cars, or 10.1% below the corresponding week of 1950, but a rise of 48,365 cars, or 7.8% above the comparable period of 1949.

Automotive Output in U. S. Drops to Lowest Point Since Week Ended June 1, 1946

Motor vehicle production in the United States the past week, according to "Ward's Automotive Reports," declined to 40,199 units, compared with the previous week's total of 102,837 (revised) units, and 127,033 units in the like week of 1950.

Passenger car production in the United States last week was about 66% lower than the previous week, and 72% under the like week of last year.

Total output for the current week was made up of 26,821 cars and 13,378 trucks built in the United States, against 79,322 cars and 23,515 trucks last week and 97,054 cars and 29,979 trucks in the comparable 1950 week.

Canadian output last week dropped to 2,127 cars and 1,714 trucks, against 2,772 cars and 1,577 trucks in the preceding week and 5,339 cars and 1,886 trucks in the similar period of 1950.

Business Failures Show Sharp Gain in Holiday Week

Commercial and industrial failures increased to 163 in the holiday week ended Dec. 27 from 117 in the preceding week, Dun & Bradstreet, Inc., notes. Casualties exceeded by a considerable margin the 125 and 109 which occurred in the comparable weeks of 1950 and 1949. Although failures continued below the prewar level, the decline of 14% from the 190 in the similar 1939 week was considerably smaller than the 40 to 50% drops from that year recorded in previous weeks of 1951.

Wholesale Food Price Index Rises Slightly From Year's Low

A slight rise occurred in the wholesale food price index, compiled by Dun & Bradstreet, Inc., last week. The index for Dec. 25 advanced to $6.64, from the year's low of $6.63 recorded a week earlier. The 1951 high of $7.31 was touched on Feb. 20. The current figure of $6.64 compares with $6.90 on the corresponding date a year ago, or a gain of 3.8%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Average Reveals an Irregularly Higher Trend

Commodity price movements were irregular in the past holiday week with daily fluctuations holding in a narrow range. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 309.79 on Dec. 24, up slightly from 308.95 a week earlier. It was down 2.5% from 317.62 on the corresponding date a year ago.

Grain prices generally moved lower for the second successive week. Although foreign sales of wheat continued large, prices were easier as the result of heavy liquidation and selling largely against wheat redeemed from the loan. Volume of wheat exports were about the largest of any week this season and included large quantities to Italy, Germany and Austria, with smaller amounts to Egypt and other countries. Demand for corn was slow with export trade quiet. A depressing influence was the issuance of the government pig crop report which predicted a reduction of 9% in the 1952 Spring estimate. Other bearish influences were unfavorable hog-corn feeding ratio now existing and intimations that ceiling prices will be imposed on grains, if and when they reach a parity level. Country marketings of corn were small, with the primary run much below a year ago.

Although some activity appeared in spots, domestic bookings of hard wheat bakery flours fell to a very low ebb as the week ended. Replacement buying in other flours was very limited. Cocoa edged slightly upward as the result of more active speculative interest, induced by renewed activity in West African cocoa at higher prices. Warehouse stocks of cocoa at the week-end totaled 117,811 bags, as compared with 70,176 at this time a year ago.

Pre-holiday quiet prevailed in the actual coffee market with prices steady to firmer on forecasts of smaller than expected supplies in the new year.

The domestic raw sugar market was stronger, largely reflecting a low United States quota as announced by the Department of Agriculture, which tended to bolster world market prices. Lard moved lower, influenced by slow export demand and heaviness in vegetable oils. Hog values were quite steady with marketings heavy although smaller than a week ago.

Following early weekness, domestic spot cotton prices advanced sufficiently to show a slight gain for the week. Sustaining factors included continued export demand, and the granting of a $40,000,000 loan to Japan for purchases of American cotton. Activity in spot markets slackened with sales in the ten spot markets totaling 202,600 bales, against 289,200 in the previous week, and 220,700 in the like week a year ago. Domestic mill consumption of cotton during the November period averaged 37,500 bales per working day, according to the Bureau of the Census. This compared with a daily rate of 36,600 bales during October, and 40,800 bales in November, 1950. Volume of cotton ginnings through mid-December were 48% larger than last year.

Trade Volume Rises Moderately Above Year Ago In Late Christmas Buying

The last-minute rush in Christmas shopping in many parts of the nation in the period ended on Wednesday of last week lifted the total dollar volume of retail trade to a point moderately higher than the record level of a year ago, states Dun & Bradstreet, Inc., in its summary of trade. The year-to-year gain was rather pronounced in many parts since the current week included one more Christmas shopping day than did the similar week in 1950. Inclement weather generally favored suburban and neighborhood stores at the expense of urban department stores in which sales volume was below expectations.

Christmas shopping rose to an unprecedented peak as sales records were smashed in many stores.

Total retail trade in the period ended on Wednesday of last week was estimated to be from 2% to 6% higher than that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England and Midwest +1 to +5, East and Northwest +2 to +6, South +4 to +8, Southwest and Pac. Coast +3 to +7.

The tempo of trading activity slowed perceptibly in most wholesale markets in the week as the usual holiday lull prevailed. The aggregate dollar volume of wholesale orders continued to be slightly above that of a year ago. Last-minute reorders of holiday merchandise helped to sustain total ordering at a high level.

Department store sales on country-wide basis, as taken from the Federal Reserve Board's index for the week ended Dec. 22, 1951, declined 2% from the like period of last year. In the preceding week a decrease of 4% was registered under the like 1950 week, but for the four weeks ended Dec. 22, 1951, no change occurred. For the year to Dec. 22, department store sales registered an advance of 3%.

Retail trade in New York last week was reported to have run well above the similar 1950 week, with the gain placed at 8%.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 22, 1951, showed no change from the like period of last year. In the preceding week, a decrease of 6% was recorded from the similar week of 1950, and for the four weeks ended Dec. 22, 1951, a decrease of 4% was registered below the level of a year ago. For the year to date volume advanced 4% above the like period of last year.

Public Utility Securities

By OWEN ELY

Utility Holding Company Developments

While the utility holding company stocks are now much fewer in number, they still are occasionally in the news, attracting speculative trading interest. **International Hydro-Electric** "A" recently made a new high at 18½ despite lack of definite news regarding behind-the-scenes progress towards sale of its New York hydro properties—which sale seems to be the key factor in the probable revamping of the recapitalization or dissolution program.

Some 38,700 shares of **American Superpower** common on the Curb recently traded in a four-hour session (on the day before Christmas), rising to 1¼, although it is well known that the stock is heavily "under water" so far as asset value is concerned. The explanation appeared late on Dec. 27 when Chairman Tompkins announced that the company would acquire the entire block of Webb & Knapp, Inc., a real estate firm controlled by William Zeckendorf—a fabulous realty expert and promoter whose personality and exploits were recently described at some length in the "New Yorker." It appears likely that Mr. Zeckendorf is interested in obtaining the "tax losses" which Superpower may still retain on its income tax books (based on costs in the 1920's), together with the advantage of a stock which is traded on an exchange.

At this writing it is very difficult to appraise the new prospects for American Superpower common. However, the $6 preference stock is selling around 135—with a claim of nearly $215 for par and dividend arrears. According to the announcement just made available at this writing, Mr. Zeckendorf is to receive (in return for his entire stock holdings in Webb & Knapp) one million shares of a junior but cumulative $1.50 preferred stock, together with 11,707,000 shares of common stock (par 10c). Including the 8,292,995 shares now outstanding, the total common shares would approximate 20 million. The junior preferred stock will be completely subordinated to the $6 preference stock (the latter is really a second preferred, but has acquired senior status since the last of the first preferred was retired in 1946).

The company has followed a policy in the past of retiring its preferred stocks gradually though exchanges for certain of its holdings, where these could be worked out on a basis advantageous to the junior issues. At present there are about 65,000 shares of the preference stock left outstanding. Since no dividends will be payable on the new junior stock until the entire issue of $6 preference stock has been retired (assuming that the purchase plan becomes effective), it seems likely that the company's policy under the new management will be to retire the preference stock either piecemeal as in the past, or by some general exchange offer.

There has been renewed interest in **American Power & Light** recently. On Dec. 26 President Aller announced a revised plan for the sale of the company's principal asset, the entire common stock of Washington Water Power, to three public utility districts in the State of Washington, which have agreed to pay American $65,115,000 for the entire common stock subject to American assuming all tax liabilities and certain payments to employees of Washington. Mr. Aller estimates that American would net between $56 million and $62 million on the deal, which would be equivalent to about $24-26 per share on the common stock. Together with some $2-$3 a share of cash and miscellaneous assets, this would make the total breakup value of American about $26-$29 per share. In order to get around the serious difficulty resulting from the law passed by the State of Idaho earlier this year (designed to prevent sale of an important part of Washington's property located in that state to PUDs) the new plan provides that after the PUDs have actually taken over most of the property within the State of Washington, the Washington Water Power stock is to be resold to a non-profit corporation.

The SEC had previously given President Aller a Jan. 1 deadline for disposal of the stock of Washington, and otherwise it was to be distributed to American's stockholders in 1952. A hearing had been set for Jan. 8 to consider such distribution, but this hearing may now be omitted. Early in 1951 the commission had voted 2-to-2 that it did not have jurisdiction over the actual sale of Washington. At that time there was considerable opposition in certain quarters in the northwest, as well as on the part of American's former parent, Electric Bond & Share, to consummating a sale to public agencies. Bond and Share, which is still a fairly substantial stockholder of American, has contended that holders of Washington might benefit to an even greater extent by retaining the stock for two or three years, by which time share earnings are expected to increase sharply as the result of the company's big expansion program through construction of the Cabinet Gorge plant, which will approximately double the hydro capacity.

In the meantime, **Puget Sound Power & Light**, another large operating company in the northwest with both hydro and steam plants, has also made a definite offer to five Public Utility Districts for a complete sellout of its remaining assets (various units have been sold in past years to PUDs and the City of Seattle). The five PUDs as a group would sell approximately $115 million revenue bonds to the public. After deducting various amounts for cost of financing, settlement of tax claims, retirement of senior obligations, etc., it is estimated that some $50 million might remain for the common stockholders of Puget, equivalent to about $23 a share, which is approximately the book value (President McLaughlin estimates potential future value at $20-$23). A substantial part of the proceeds would be distributed to stockholders at the time of the bond sale and the remainder within three or four years, as tax claims and other liabilities are cleared up. An obstacle to consummating the deal, however, is the rivalry between certain municipalities and the five PUDs with respect to acquiring part or all of Puget. It is not clear yet just how soon the litigation between the cities, the PUDs and the Company can be cleared up, or at least adjusted to permit the proposed sale.

What Is It?

"Thorough study, and the advice of many of the best authorities, convince me that there is only one real way to insure a 'solid dollar' for the long term in America. That way is to place the American dollar on a modern gold standard. That is what I would intend to do as President with the support of Congress. A modern gold standard would not be easy to establish. But it can be done, and in my judgment it must be done!

Harold E. Stassen

"To do so, will require firm financial policies in Washington. Waste in government must be cut out. The 200,000 loafers now included among the Federal employees must be dropped from the payrolls. Production must be kept at very high levels and full employment must be maintained, with jobs for all. The budget must be balanced, but without taxing incomes so heavily that incentives are lost.

"This means that lower-bracket incomes and wages should not be taxed more than 10% and higher-bracket incomes never more than 50%; and if additional taxes are needed to balance the budget, these are to be raised by other means which are less repressive of incentive and production."—Harold E. Stassen.

We wish we knew what a *modern* gold standard is, but some of the things Mr. Stassen seems to favor along with it are excellent, even if others are a little on the queer side. But what are we to make of these further remarks?

"It would also be the policy of my Administration to see to it that each major economic group received a good and just share of a high overall national income.

"This policy is especially important to the farmers. In return for producing a bountiful supply of good food, they should have an excellent income, received without governmental control of their lands, or their crops, or their marketing. This would be my Administration's policy and it can be carried out without great difficulty along with the programs for a modern gold standard and full employment with profit-sharing."

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The Fir Plywood Industry And Its Prospects

parison, would be equal to 70 million square feet a week, as compared to the industry's average during the past six months of between 41 and 42 million feet.

Those cold, objective figures should blast away the complacency of anyone in the plywood business today, or who hopes to be in it tomorrow.

These are shocking figures: Now, let me soften them somewhat by pointing out that current production is far below the realistic estimate of demand for 1951. Foreseeable demand, appraised realistically, places plywood sales next year at about 2,600 million square feet or some 52 million feet a week. Putting it another way, theoretical capacity is 35% greater than the projected demand.

What is the answer to these problems? How will fir plywood fare during the forthcoming year? I'll climb out on the end of a limb with a saw and venture some forecasts.

Demand and Production Will Tend to Balance

First, and most important, is my conviction that general business conditions in 1952 will be favorable. I believe that you investment people, who watch economic indices and trends like a hawk, share that view.

Second, despite theoretical capacity, I predict that plywood production and demand will approximately equal each other. In other words, the high-ball days of three-shift, six-day production are behind us and a more realistic production tempo of approximately two-shifts, five-days will prevail. At that pace the year's volume should hit approximately 2,750 million feet. That is only 150 million feet greater than the conservative 1952 demand forecast of the Econometric Institute. Fundamentally, production at that level is economically sound.

Third, prices will strengthen within 30 to 60 days. The first indication that the tide has turned came with the disclosure, just last Wednesday, that new orders have substantially exceeded production for the first time since last March. This development indicates the buyer is apparently convinced the price has reached rock bottom.

Fourth, our field reports indicate the majority of jobbers and dealers have disposed of excess stocks. Today their inventories are low for even this time of year. Price stability and low inventories, will, I believe, precipitate a flood of buying shortly after the first of the year. At this juncture, let me point out that while government demand has fallen far short of expectations, nevertheless the military is buying plywood today at the annual rate of 150 million feet.

Fifth, of enormous importance is the sales potential of the product itself. Ten years ago the national consumption of plywood was 12 feet per capita. Today, it is 16. But, in Seattle, the consumption factor is 75. Picking at random, other high consuming centers include Chicago, 28; Kansas City, 33; Portland, Ore., 58; Spokane, 32; and Houston, 23. On the other side of the ledger you have Columbus, Ohio, at six; Tulsa, Okla., four; Portland, Me., at two, and many others in that general category. These figures demonstrate conclusively that the sales potential is there if we will only sharpen up our sales tools and go after it.

That leads me directly into the tremendous program of trade promotion and advertising already launched by the industry jointly through its trade association and certain individual companies. Under the Association's $1,700,000 promotion program, advertising is being extended beyond specifiers clear to the consumer with strong campaigns in 70 magazines, involving 130 million prints. The objective, of course, is to stimulate demand for existing end uses, to regain lost markets and to seek out now areas of merchandising. Exemplifying the new drive for business is the so-called "handy panel" program. For the first time, manufacturers propose to sell plywood in small panels. These panels will be sold off self-service display racks to be provided for thousands of lumber dealers. A new outlet involving perhaps as much as 250 million feet per year is thus opened up.

There are other solid and encouraging achievements. Product research sponsored by the industry's laboratories is surging forward with renewed vigor. For example, recent tests have proved without a doubt the superiority of plywood as a structural material for resistance to earthquakes and wind storms.

Seventh, from the trying and profitless winter months will emerge a sober, realistic and more efficient industry. The weak and poorly financed operations will languish and die and the strong will develop new sinews under the stress of competition.

So, gentlemen, I will conclude my remarks on the plywood industry with this observation: That developments of recent months, so frankly described here today, have been a blessing in disguise. No longer will fir plywood be regarded as a modern Treasure Island. Rather, will it be recognized as a field where a company which is strongly supported with raw materials, well financed and scientifically managed will be able to achieve a reasonable and enduring profit.

The M and M Wood Working Company

In the short time left I would like to touch briefly on a favorite subject, The M and M Wood Working Company. Founded 33 years ago as a small detail millwork plant in Portland, this company has expanded through the years until today it is the largest plywood producer in the Pacific Northwest; the largest door man-

ufacturer in the country and one of the major lumber producers in Oregon. We operate nine factories in six communities in Southern Washington, Oregon and Northern California; maintain a payroll of 2,400 people whom we compensate $10¼ million per year; produce at peak production 700 carloads of finished products per month which are distributed in every State of the Union, and manufacture ten basic products extending all the way from Redwood plywood—on which we have a current monopoly — clear through to common grades of lumber.

The M and M is a public corporation and the only concern in Oregon listed on the New York Stock Exchange. We have nearly 2,000 stockholders, although, as you perhaps know, the control is vested in the James A. Malarkey family. The corporation's earnings have been satisfactory throughout the years, in fact, in its entire history it showed red figures only once, in 1934.

I believe the company stands out in the industry for several reasons: First, the concern rests on a solid foundation stone represented by over 3,000,000,000 feet of fir and redwood timber situated in Oregon and Northern California. This is in sharp contrast to the limited timber holdings of most plywood manufacturers and the complete absence of raw material of some companies. I believe M and M's reserves in the industry are exceeded only by Weyerhaeuser. My grandchildren and maybe great granchildren will not live to see the day when M and M will cease operation for lack of raw materials. Significantly, the company has pursued a policy of replacing what we cut.

Second, the company is well financed. We have yet to borrow our first dollar. Our balance sheet is clean, with no long-term debts or encumbrances.

Third, M and M is the largest and most powerful supporter of the independent jobber. With factory-owned warehouses, direct sales to retailers and office wholesalers in the picture, this is a significant fact. We believe the jobber is the strong link in the economical merchandising of our product. Having cast our lot with him, we have naturally been able —to a measurable extent—to secure the outstanding independent distributor in the country.

Fourth, with ten basic products, produced in as many different plants and representing from $33 million to over $40 million in sales, the company has achieved economic diversification. This simply means that we are not at the mercy of any one commodity —rather are we in position to hedge against economic pitfalls that might beset one, while fortune favors another. Plywood represents 55% of sales so far this year; doors, 13%; lumber, tanks and pipe 11% and glue, timber and miscellaneous, 21%.

The company is highly integrated. Thus, we produce 60% of the lumber and 100% of the panels that go into our doors. We manufacture 75% to 80% of our plywood adhesives. We use all the trees in the forest except the pulp species and those we trade to the paper companies for more peelers. We even sell sander dust for plastic fillers.

Fifth, for years the company has cold bloodedly plowed hundreds of thousands of dollars of possible additional profit back into our products for the purpose of achieving quality. In a sellers' market which has prevailed for so many years, a manufacturer can get by with almost anything. M and M placed its faith on a quality product and willingly sacrificed some profit during the lush years of the recent past. Parenthetically, gentlemen, I can say this: During the recent trying months it has certainly paid off.

Sixth, we believe we are ahead of the parade in terms of merchandising. Several years ago we reorganized our entire sales department and concurrently launched an advertising program under which we committed 1% of the company's gross sales for advertising. Possibly some of you have seen our advertisements appearing in such consumer magazines as "Saturday Evening Post," "Better Homes and Gardens," "Country Gentleman" and others.

Finally, M and M's factories are well equipped to meet whatever competitive challenges that might lie ahead. We have expended upwards of a million dollars in the past year in capital equipment. Our maintenance and repair bill has been vastly increased. We are abreast of new manufacturing techniques and are in the process of developing several of our own.

The picture of M and M I want to leave with you, gentlemen, is this: A stable and enduring company, fortified with raw materials, well financed, soundly managed and a major factor in the wood products industries in the years that lie ahead.

Now, let me anticipate a few questions.

At the threshhold of our current fiscal year last March 1, I crawled out on the end of another limb and forecast earnings in excess of $2.50 per share. The impact of increased taxes, price decreases, production curtailment of doors and plywood, wage increases and other factors knocked that prediction into a cocked hat. As of the end of the eighth month of the fiscal year, the company's after tax earnings total $2,055,311, or $1.47 per share. I do not yet know our November earnings. However, I do not believe we will earn $2 per share—in fact, as I see it now, we will wind up our fiscal year next Feb. 28, with earnings ranging somewhere between $2,600,000 and $2,700,000, or $1.90 per share. This compares with $1.61 earned for the short-term seven-month fiscal year ending Feb. 28, 1951 and $1.78 for 12-month fiscal year ending July 31, 1950. Sales will approximate $33 million and our after tax profit on sales will be in the neighborhood of 8%. These figures can be low or high depending on economic trends developing within the next few months.

There is no indication at this time of any modification of the company's dividend policy of 25c per quarter.

The company's excess profits tax base is $2.18 per share. Our book value as of the end of October was $15.15. Our stock has been quoted in recent weeks around 14½.

This brings me to the close of my remarks. Let me leave these two thoughts with you: First, fir plywood basically is a strong and stable industry. Second, M and M will continue to maintain and even strengthen its position as a leader in the wood products industries.

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Public Bonds for Private Purposes

went to work for a little bank until I could get admitted to the Montana Bar and get located. The printed notes, which those signed who borrowed money from the bank, provided for interest at 12% per annum. That was the going rate. It was 10% per annum on farm loans secured by mortgages. Nearly every homesteader when he proved up on his land and got title from the Government made a farm loan to buy equipment, pay off his debts, construct new farm buildings, etc.

Here is how it worked. The bank represented a Minneapolis or St. Paul investment or farm mortgage house. If a farmer made a $2,500 5-year farm loan, he, and his wife if married, signed a note for that amount and five annual coupons attached to the note for $150 each, representing 6% interest, a first mortgage to secure this note, five more notes for $50 each, one due each year for 5 years, representing an additional 2% interest, a second mortgage to secure these notes, five more notes for $50 each, one due each year for 5 years, representing another 2% interest, and a third mortgage to secure these notes. The bank deducted from the loan the cost of the abstract of titles, recording fees and all other expenses, and kept for its services the third mortgage and notes; the farm mortgage house kept the second mortgage and notes, and then sold the first mortgage and note to the ultimate investor who furnished the money. No farmer could pay 10% or 12% interest and get ahead very fast. There were also bitter complaints from the farmers about the way they were treated and the prices they were paid for their wheat by the line elevators and about the prices they had to pay for lumber at the line lumber companies. I did the legal work during those early months in Montana in the organization of a local elevator company and a local lumber company, with the stock in each owned by local people who were anxious to improve these conditions. I know about these things because I lived with them.

These are the reasons why the people of Montana voted to put the State into the farm loan business and voted bonds for a terminal grain elevator, and why the people of North Dakota rose up on their hind legs to create the necessary machinery for their self protection. Was that socialism or a proper function of the State?

I mention these matters to emphasize the point that there may be many situations where it is important to the social and economic stability of a state or a community that it engage in some functions which might at first blush appear to be private in their nature. Where do we draw the line between the facilities which it is proper for a state or a municipality to finance and those which it is improper?

I do not believe that any of you would criticize the issuance of public revenue bonds to meet directly a great public need, simply because there would be involved an element of private gain for one or more corporations or individuals who would lease all or a part of the facilities. I have in mind such projects as public markets, whether conducted for the benefit of the farmers or the consumers, wharves and docks, grain elevators and warehouses, parking garages and terminals, and subways or hospitals to be leased to and operated by private corporations. There are doubtless many other such projects where public financing would not be objectionable.

Plan Has Some Supporters

According to an article in a recent issue of "The Daily Bond Buyer," the president of a corporation which is a prospective lessee of one of these plants is very enthusiastic about this plan of issuing "tax exempt bonds for the purpose of building industrial plants and leasing such facilities to separate companies," saying: "This new plan not only makes available again these huge reservoirs of sterilized capital for the nation's continued industrial expansion, but it offers a unique opportunity for cooperation between industrial companies and the communities in which they plan to operate."

Doesn't that sound convincing? Why shouldn't he be enthusiastic about a plan whereby a city provides for his corporation a plant on which the corporation pays no ad valorem taxes, the cost of which plant is not reflected in the capital structure of the corporation for franchise tax purposes, and for the use of which the corporation pays a rental which is based on tax-exempt financing and which is an operating expense of the corporation and deductible in computing its income tax. Have any of you figured out what these tax advantages and perhaps others amount to? Well I apprehend that the boys in Washington have and that they are watching this situation. We have already been warned that the SEC is watching the practice.

The Supreme Court of the United States did not hesitate to deny immunity from Federal taxes when the State of South Carolina and the State of Ohio went into the liquor business or when the State of New York went into the business of bottling mineral water. In the opinion in the Ohio case it was said:

"If a state chooses to go into the business of buying and selling commodities, its right to do so may be conceded so far as the Federal Constitution is concerned; but the exercise of the right is not the performance of a governmental function. . . . When a state enters the market place seeking customers it divests itself of its *quasi sovereignty pro tanto*, and takes on the character of a trader, so far, at least, as the taxing power of the Federal Government is concerned."

What is the Supreme Court going to say when a state authorizes its municipalities to go into the business of constructing plants to be leased to private corporations for manufacturing shoes or textiles or roller skates or monkey-wrenches or any other product?

As recommended by the IBA, let us proceed along this dangerous road with extreme caution.

Griffin Retires as Grain Dept. Head

J. Hollis Griffin, widely known authority in grain circles, will on December 31 relinquish his duties as the active head of Bache & Co.'s grain business after 25 years of service.

Mr. Griffin will, however, continue to be associated with the firm in the New York office, 36 Wall Street, in an advisory capacity in this important and expanding phase of Bache & Co.'s activities in the commodity field.

Blunt Ellis Admits

CHICAGO, Ill.—Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges admitted Robert Evans Maxwell to limited partnership as of Jan. 3.

Redpath Director

Albert Gordon Redpath, general partner in the investment firm of Auchincloss, Parker and Redpath, has been named a member of Northwest Airlines' Board of Directors, Croil Hunter, President and General Manager, has announced. Mr. Redpath takes the place of the late Edwin White, St. Paul investment banker.

Mabon Co. Admits Wirth to Partnership

Homer Wirth

Mabon & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce the admission to general partnership of Homer Wirth.

Mr. Wirth is manager of the Preferred Stock Department.

New Odd-Lot Post For Detroit Exch.

DETROIT, Mich. — The Detroit Stock Exchange will have an additional odd-lot post commencing January 2 when Charles A. Parcells & Co. enters the field exclusively served by Baker, Simonds & Co. since 1941 when 141 stocks were traded locally. Today, by comparison, shares of 211 corporations are available. Approval of Parcell's application to register as an odd-lot dealer has just been announced by the Governing Committee of the Exchange.

In the past several years the volume of odd-lot business on the Detroit Exchange has shown a substantial increase with nearly $40 million worth of stock in less than 100 share lots traded last year and about the same amount in 1951. Many people have found out that although regular trading is in 100 share lots it is also possible to purchase 1, 4, 10, 33 or any number of shares less than 100 and that any one with any amount of money can "Invest in America."

The odd-lot firms are two of Detroit's oldest and largest local houses. Charles A. Parcells & Co. was registered as a member firm in 1919 and Baker, Simonds & Co. in 1921.

McKenzie Heads Dept. For Edw. Jones Co.

ST. LOUIS, Mo.—Effective Jan. 1, Alfred M. McKenzie has been appointed manager of the Mutual Funds Department of Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

To Be F. H. Sacken & Co.

Effective Jan. 1, the New York Stock Exchange firm of Lewinson & Sacken, 25 Broad Street, New York City, became F. H. Sacken & Co.

Walter Johnson Opens

(Special to THE FINANCIAL CHRONICLE)

MONROE, La.—Walter H. Johnson is engaging in the securities business from offices at 1312 North Third Street.

Raggio, Reed Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert C. Elin has become affiliated with Raggio, Reed & Co., Russ Building, members of the San Francisco Stock Exchange.

A. G. Grenfeld Opens

ALBANY, N. Y. — Arthur J. Grenfeld is engaging in a securities business from offices at 247 Lark Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Up to this writing, the market hasn't done anything to make this a particularly startling, or even an informative, column. For the past few days if one stock went off fractionally another one came along that went up fractionally. All in all it made for a lackadaisical spectacle that spelled disinterest for almost anybody.

* * *

It might be of interest, however, to caution those who daily watch the translux, that out of such dullness and indecisiveness a trend frequently develops that can mean either handsome profits or miserable losses.

For some reason that I'm sure is completely psychological, the physical act of putting a new calendar pad on the desk, or hanging a calendar on the wall, changes a picture radically. Usually very little has changed in a corporate get-up, or the internal dynamics of a stock market, that would require radical action right after the start of a new year which hasn't been indicated weeks before. Perhaps the calendar acts as a catalyst.

All I know is that I have been watching markets for a lot of years and I still marvel at the things it does and the indications it gives prior to the performance. Unfortunately my wonderment doesn't (or hasn't) kept pace with my prescience, if a study of security markets can be termed a science.

All this is a prelude to what I believe the market will do from here on. The major flame is and probably will continue to be a prospective war and its attendant inflationary processes. The dampening influence is and will continue to be taxes. In between there will be other factors that will make news but will have their effect on price structures. Among these will be continued labor unrest, political changes or rumors of changes; political scandals and their accompanying mudslinging.

Of all these the key issues will be the build-up toward war and its effect on our economic life. The market ripples or tides that you see daily will be a reflection of these issues. Within the framework will be the buying and selling of equities sparked by hopes and fears. Some will be profitable. Most will probably be otherwise.

Because the blue chips are considered the royalty of the stock market they are high and command a certain respect. I believe more money will be lost in these blue chips in the future than in the so-called second grade issues. Most of these blue chips are heavy recipients of defense orders. By the same token their civilian business has fallen off. It is one of the reasons why peace scares affect these issues so sharply.

Before we are a month older I think the price structure will show more signs of toppling; anyway cracking. The immediate causes for this can be found in some of the reasons given above. What repairs will be put into effect to halt it remains to be seen.

From a trading viewpoint, I don't think anything will be lost in waiting before doing any new buying for the time being. From the various signs that started cropping up in the past few weeks it looks like some kind of a storm immediately ahead. How severe it may be I have no way of knowing. Like the weatherman, I too have to wait and see what air currents will build up, how and where, before I can say anything definite. But I've seen enough to take out my rubbers and raincoat.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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Social Security and the United States Economy

a month after 1936 would have been entitled upon retiring at age 65 in 1942 (the earliest date old age benefits were to be available) to a monthly payment of $22.50. For a worker retiring 30 years later with the same average wages the figure would have been $66.25. This reflected the savings principle of private life insurance that to receive the larger benefit a larger fund must be accumulated. Had the country understood more fully basic principles of social, in contrast to individual private life insurance, this mistake would not have been made.

As a matter of fact the 1935 Act could well have taken into consideration the principles applied by business organizations when they set up pension plans of their own. Take the case of a firm which has been in business for many years with employees whose ages run from say 20 to 65, many of whom have been with the firm for a large number of years. A worker for example aged 60 may have been with the company for 30 years. Had the firm had a contributory pension plan in operation during that period a substantial sum toward a pension for that worker would have been accumulated by the time he would reach retirement, say at age 65. However, no such plan has been in existence. It is now starting when the worker is 60 and five years only remain in which to build up a fund to provide his pension. Obviously what could be provided by normal contributions in the next five years would be wholly inadequate to enable him to retire with a reasonable old age income.

What then does the company do? It gives the worker credit for the past 30 years' service and puts enough money into the fund to enable the employee to retire at 65 on a pension comparable to what would have been provided had the plan been in existence for the past 30 years. This will enable him to retire with dignity on a reasonable income. Now note carefully that the pension to be paid at age 65 will be extremely large as compared with the actual contributions made by the 60 year old employee in the five years before he retires. In so far as he personally is concerned, a kind of social insurance principle is being applied.

Returning now to the Social Security Act of 1935 we begin to see at least one thing that was wrong with it. It did not take long for the country also to see it. In 1937 an Advisory Council of laymen was set up jointly by the Finance Committee of the Senate and the Social Security Board. Following months of study the Council, among other things, recommended, and Congress approved, that the benefit structure be changed so that workers retiring in the earlier years of the system would receive more reasonable benefits Take the case of a $200 a month worker who had worked in covered employment steadily since 1936. Under the changed law, retiring at the close of 1940, he would receive $36.40 a month. A worker in a similar situation retiring 30 years later at 65 with the same average wages would have received $46.90 a month. This was a more reasonable relationship than under the 1935 Act. However it still involved a concept foreign to social insurance which will be discussed in a moment.

Before that however, note the resemblance between the changed Government plan and the treatment of the older workers in the private pension plan above referred to. Uncle Sam in essence said to the workers "You are not to be penalized because there has been no Social Security law in existence since you started to work as a young man. Therefore you are being given credit as though there had been a system in which you could have been included. Your old age benefits will be on a reasonable level, and far in excess of what will be provided by the taxes you will have paid in the short time the system will be in effect before you retire." Hence under any true social insurance plan, as under any satisfactory private pension plan, workers advanced in years when the plan is set up will receive pensions which are tremendous "bargains" when measured against what they themselves have contributed.

A moment ago it was stated that the 1939 revision of the original Social Security Act still involved an element foreign to social insurance. It was a provision that for each year a person worked in covered employment his basic old age benefit should be increased by 1%. It was this so-called 1% yearly "increment" which caused the difference between the levels of benefit payments noted for the two $200 a month men under the revised law.

It was not until the beginning of this year 1951 that this "increment" was removed and the plan placed upon a true social insurance basis. The $200 a month worker receives $65 a month whether he retires shortly or 10, or 20 or 30 years hence. This resulted from the recommendations of another Advisory Council. It took 15 years to reach this sound basis, but the country finally did get there.

The Current Aged

Let us now return to the 1935 Act and observe another result of the influence of private insurance or savings concepts upon the formulation of the program. It had to do with the provision for those who were already old and retired at the inception of the plan. Since there was no opportunity for them to participate in the contributory part of the program they were provided for by so-called Old Age Assistance (OAA). This was a system providing free old age payments to persons in need. It was administered by the states with generous financial help from the Federal Government.

Originally the financial costs were borne on a 50-50 basis. However, as time went on, political pressures threw more of the load on the Federal Government. At present the maximum level of individual benefits in which Uncle Sam shares is $50 per month. Of that he pays three-fourths of the first $20 and one-half of the balance. Of the maximum $50 he therefore pays $30 and the state $20. In 1950 the Federal Government paid 53.7% of the cost of OAA which amounted overall to about $1.56 billion and the states paid the balance, 46.3%. Incidentally with a plan of this kind there is a real incentive for a state to have as many people as possible included within the $20 a month payment level where Uncle Sam pays 75% of the cost. A state that has had a relatively high level of average payment could lower that average, add a large number of persons to the rolls, bring a lot more Federal money into the state and actually reduce its own burden of cost.

The definition of need and the application of the needs test for OAA vary widely from state to state. There are variations in the amount of income a person is deemed to need, in the amount of property he may retain, and in the responsibilities near relatives, especially children, have for the care of the aged individual. The result is an enormous spread between the high and low proportions of the old people receiving OAA. For example, as of June, 1951, five out of every 100 persons over 65 in the District of Columbia were receiving assistance. In Louisiana the figure was 67. While this difference is to a large extent the result of differences in economic conditions in the two areas, a considerable part stems from the different ways in which need is determined either by state law or in actual practice. Perhaps politics may even have something to do with it! For the country as a whole, 22 out of every 100 persons over age 65 are receiving OAA.

There are wide differences among the states in the average amounts of OAA payments. The national average in June was $43.23 per month. The lowest state was Mississippi with an average payment of $18.41; the highest Colorado with $76.41 and California next with $67.02. In this aspect of OAA political pressures have played a large part. Payments to persons eligible to receive OAA currently have greater political attraction than do promises of payments to be made in the future. There is danger therefore that these free current payments to the older people may displace the contributory OASI system with its payroll taxes under which the average primary old age benefits are now running at a rate of about $42.50 a month. In comparing the two sets of figures it should be kept in mind also that underf OAA both husband and wife over 65 can receive full benefits, whereas under OASI the wife's benefit is one-half her husband's benefit. About three million persons aged 65 or over are receiving OASI benefits as compared with about 2.7 million receiving OAA.

Contemplating these figures, serious questions have been raised as to whether in the long run the free OAA may not undermine and destroy the OASI program. With OASI benefits averaging less than the free OAA payments many will ask what they get for the payroll taxes they have to pay. This is especially pertinent in states where OAA payments far exceed OASI benefits. The 1950 amendments brought the OASI benefit levels more into line with average OAA payments; but the disparities in many states are obviously still great and likely to become greater under political pressures.

Looking back to the beginning in 1935 could anything have been done then to prevent the development of these two competing systems? At that time it was contemplated that the role of OAA would diminish as the contributory program took over the benefit load. Instead as we have seen, political and inflationary pressures have decreed otherwise.

Suppose in 1935 the old age income problem had been looked upon as a unit and the old persons already retired had been brought into the plan and paid a reasonable minimum level of benefits without a needs test and without ever having contributed to the plan. The payroll taxes paid by those working would have provided retirement benefits, not only for those who paid the taxes but also for all retired persons above age 65. Very little would have been left to be invested in U. S. Government bonds to accumulate a reserve fund.

Had this been done it would have meant that the country was following the sound principle that those currently working should support the aged who were unable to work. In time, current workers when they came to retire would look for support to the

workers of that future day. This principle discards the theory of accumulating savings for old age on a national scale, through creation of an enormous reserve fund. Instead, it substitutes a pay-as-you-go system, with this generation bearing its proper share of the old age dependency load in a manner comparable with what it hopes the next generation will in turn do for it.

Under a plan of this kind OASI benefits would have taken the place of the Federal share of OAA. Individual states could have supplemented those benefits had they wished to do so. However the dangerous political pressures of the present system would have to a large extent been reduced. Under a plan of this kind the payroll taxes would have been started at a higher level than they did and there would have been little if any excess income in the system. The present reserve fund of nearly $15 billion would not have been created. This at least would have avoided much heated, uninformed argument! To have made the system work efficiently a much larger proportion of the workers should have been brought into the system. If all retired workers are to receive benefits financed out of current payroll taxes then the maximum number of workers should be sharing the burden. That too is only fair if they themselves when old expect to receive benefits provided by taxes levied upon the workers of that day.

Is it too late to make a change to a plan of this kind now? There are many who think that it is not. Although numerous problems would have to be solved, they believe it would be worth the effort. Substitution of the OASI benefits for the Federal share of OAA would probably reduce political pressures. We of this generation would understand more fully the true cost of pensions. If benefit levels were to be raised for those currently on the rolls, money would have to be found immediately to pay the increased costs. We would therefore be less likely to promise unduly high benefits for others to pay in the future. There would be no temporary excess of income over outgo in the OASI system as at present to make it appear feasible to set benefits at unsound levels which could impose a future dangerous burden upon the economy of the country.

Those already old and not in position to qualify for the regular OASI benefits should probably receive a level amount in the neighborhood of $25 to $30 a month which in turn would be supplemented in the individual states on a needs basis. As many as possible of the uncovered groups of workers should be brought into the OASI system. Those paying the payroll taxes would receive benefits varying as at present with average wage records. In 10 or 15 years those brought in on the foregoing special basis would almost entirely have passed off the scene and the inevitable anomalies encountered during the transition period would be largely removed. Adjustments would have to be made as between this system and other Federal systems of old age benefits, such as those providing pensions for civil service employees, railroad workers and veterans.

The Senate last year provided for a study of the social security problems including this one. We in the life insurance business would do well to give it careful thought. Because of the nature of life insurance and our experience in setting up pension plans, Congress could reasonably expect us to be able to give helpful guidance in this field.

To obtain an approximate idea of the nature of the problem, the following estimates (in thousands) have been made as of the end of 1952. That date was chosen because under the 1950 amendments, the "new start" qualifications for OASI benefits will by then have added a substantial number of new OASI beneficiaries and reduced the number receiving OAA. They are likely also to cause some persons to retire who would not now be working were retirement incomes available.

(1) Receiving OASI or OAA:	
OASI alone	3,530
OAA alone	2,300
Both OASI and OAA	220
	6,050
(2) Employed and their Spouses:	
Gainfully employed	2,850
Spouses not included in 1	1,000
	3,850
(3) Others:	
Those on Railroad or Civil Service Retirement	350
All Others	2,900
	3,250
Total Continental U. S. Population aged 65 or over	13,150

From this tabulation it would appear that a plan such as that discussed would concern itself primarily with some 5¼ million persons—those in the OAA and All Others categories. If each of these persons were to receive a minimum of $25 a month under an extended OASI system, the cost would be in the neighborhood of $1.5 billion a year. A relatively small amount would also be required to raise to the new minimum any OASI payments now under $25 a month. The additional load resulting from the extension would be borne by payroll taxes. At the same time the general budget would be relieved of a burden of say $800 to $900 million, representing the Federal Government's share of current OAA costs.

A moderate increase in current payroll taxes in the near future would probably be required to provide the added benefits. The excess of income over outgo in the OASI system would be practically eliminated, thus halting any appreciable increase in the present OASI Trust Fund.

Basic Principles

Without doubt in any change of this kind of basic philosophy of the OASI system would be reviewed. For example, should the existing plan which varies benefit amounts according to wage levels be continued? Is it sound for a $300 a month worker to receive monthly retirement benefits of $80, and a $100 a month worker $50? Great Britain has level benefits for all, and so does Canada in the new plan being set up.

The reason why the U. S. adopted a graded benefit system is the wide ranges in income levels among various groups and in various geographical areas of the country. In 1950 the average income payment to individuals in this country was $1,436. In the high state it was $1,909 and in the low state $698. With a range like this what level amount would adequately fit the situation? The amount which would provide a proper social insurance level of protection in the high income states would, by the same standards, provide comparative luxury in the low income states. What fitted the latter would be utterly inadequate for the high income states. The group which formulated the Social Security Act in the first place, and both Advisory Councils, believed that graded benefits were essential for this country. The most recent Advisory Council stated in 1948 the basic principle as follows:

"The Council favors as the foundation of the Social Security system the method of contributory social insurance with benefits related to prior earnings and awarded without a needs test. Differential benefits based on a work record are a reward for productive effort and are consistent with general economic incentives, while the knowledge that benefits will be paid — irrespective of whether the individual is in need—supports and stimulates his drive to add his personal savings to the basic security he has acquired through the insurance system. Under such a social insurance system, the individual earns a right to a benefit that is related to his contribution to production. This earned right is his best guaranty that he will receive the benefits promised and that they will not be conditioned on his accepting either scrutiny of his personal affairs or restrictions from which others are free."

I believe the judgment of the country will continue to support that position.

Next, what about payroll taxes as a method of financing? First and foremost they provide a means of relating benefits so clearly to earnings levels that they have met with an unusual degree of acceptance by the workers of the country. At the outset some predicted that there would be a rebellion against the payment of a tax on workers' earnings up to a given maximum without exemptions. The predictions turned out to be false. Why? Primarily, I believe, because the workers wanted old age security and believed that this was a sound way to obtain it. The direct tax on the income which was to determine the amount of the benefits, provided a feeling of assurance that the benefits would be paid when due. Such an assurance would not have been felt had the benefits been financed by some form of tax which appeared likely to be shifted from time to time from one group to another as political forces dictated. The payroll taxes also are relatively easy to collect. Again both Advisory Councils agreed that such taxes were the proper source of revenue for the OASI system.

The cost of collecting the payroll taxes has sometimes been described as enormous. In terms of your bank accounts and mine they certainly are! However, in relation to the income of OASI system the entire administrative expenses, involving the awarding and paying of benefits as well as the collection of payroll taxes, are only 2.7% of the system's income. That part of this figure represented by the collection of taxes alone would certainly not be a cause for alarm. The payroll taxes also cost employers money to collect, report on, and remit to the government. The question, however, is whether the system is not worth the administrative costs because of its overall advantages as compared with the alternatives that might be adopted.

In any consideration of social insurance it is important, as previously indicated, to keep its proper role constantly in mind. For example, it is or should be, a system providing benefits on a level which will always leave ample opportunity and incentive for the individual to supplement them by his own efforts. The country would be in grave danger the moment social insurance benefits should reach levels that would kill the incentives to work and strive for something better. Moreover, the effects of such a situation on the individual character and, in turn upon the national character would be disastrous. In the world struggle for survival the emphasis must be on self-reliance and character that seeks to make its way through productive work and enterprise. Furthermore, as already pointed out, if we should ever arrive at the position where the great mass of people would look to the Federal Government for complete security against the hazards of life we would be well on our way to dictatorship.

It is clear that vital basic principles are at stake in our Social Security program. Persons in the life insurance business because of the nature of their work should be well qualified to lead in the consideration of any changes necessary to place the program upon a firm foundation. Congress will need a background of informed opinion when the study of Social Security provided for by last year's Senate Resolution 300 gets underway.

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A Humanitarian and Liberal Program for the Republican Party

and destroy your American heritage for all of us.

Fourth: The peril from abroad that a combination of powerful communist enemies, with attacks from without, and infiltration of saboteurs within, will so weaken America that the future of our way of life would be dark and grim.

I am very optimistic about America's future if we but rise to meet these four perils and intelligently fulfill the part as world leaders which it is our responsibility to assume.

I now present the definite steps which I believe our government should take and which I, as President, working with Congress, would intend that it take. They are measures through which, as I see it, the American people, under God, can enjoy a world at peace and take a happy part in the progress of all mankind toward better living and greater freedom and a deeper respect for one another.

As President, I would absolutely insist upon plain, old-fashioned, honesty in the officials of the nation, from the highest to the lowest. Anyone guilty of dishonesty or bad ethics would be promptly removed, and high moral standards would be set in the nation's capital.

The churches of the nation, of all faiths, would be encouraged in their great work. The clergy—priests and pastors, rabbis and lay leaders—would be looked upon with favor by my administration. They would be separate from government in jurisdiction and in law, but church and state would have the common objective of high moral standards. They would be together in their reverence for the dignity of human life and in the belief in the fatherhood of God.

The schools and colleges, both public and private, would be encouraged and strengthened. And the teachers and educators in those schools and colleges would be supported in their efforts to instill high concepts of ethics in the youth of the land and in their contribution to the cultural development of the nation.

It would, in short, be my aim to establish one of the most honest, one of the most high-principled administrations since our nation's beginning.

Need a Sound and Stable Money

The lessons of history tell us that next to the decay that comes through weakening moral standards of the people, the most serious threat to a leading nation is the deterioration of its money. The currency of a nation is the medium by which goods and services change hands freely, production is stimulated, families are sustained. It is the basis on which plans are made and agreements are carried out. The more highly developed a country becomes, the greater is the importance of a sound and stable money.

Everyone knows that our country has experienced serious inflation in recent years. The debasing of our money shows itself in the climbing prices in your neighborhood stores. It is felt in the difficulty of balancing your family budget. This is especially true if you are a white collar worker or pensioner on a fixed income. Your personal insurance plans made ten years ago will no longer carry out the original intention for the care of your family. Your savings have lost a large portion of their value. This is a serious matter. And if this inflation continues for another six years it will be disastrous. This Administration, with its careless, blundering financial policies, has been just like a clumsy visitor playing with matches in a hay barn.

Thorough study, and the advice of many of the best authorities, convince me that there is only one real way to insure a "solid dollar" for the long term in America. That way is to place the American dollar on a modern gold standard. That is what I would intend to do as President with the support of Congress. A modern gold standard would not be easy to establish. But it can be done, and in my judgment, it must be done!

To do so, will require firm financial policies in Washington. Waste in government must be cut out. The 200,000 loafers now included among the Federal employees must be dropped from the payrolls. Production must be kept at very high levels and full employment must be maintained, with jobs for all. The budget must be balanced, but without taxing incomes so heavily that incentives are lost. This means that lower-bracket incomes and wages should not be taxed more than 10% and higher bracket incomes never more than 50%; and if additional taxes are needed to balance the budget, these are to be raised by other means which are less repressive of incentive and production.

With able financial policies in the nation's capital, a modern gold standard for the American dollar can be established and maintained, and people can then be confident that in future years their dollars saved and their dollars earned will purchase at least as much as they do now—or even more—of food, shelter, clothing and the other necessities and good things of life.

Internal Strife of Pressure Groups

As I have indicated, a third peril arises in any free country if groups within it quarrel bitterly and persistently.

I know full well that many men have won and held public office in our country by a demogogic stirring up of group against group—of labor against capital, of minorities against other minorities — and by endeavoring to make each group feel that its special interest would be served in the extreme.

I reject that approach as unsound and even dangerous in modern America. It is a vicious appeal to self-interest, and sometimes it is a play upon base animosities. My policy would be just the opposite.

As President I would constantly endeavor to have all citizens recognize that their own best future, even from their own selfish standpoints, rests in the welfare and success of the nation as a whole and that it therefore rests in co-operation and in respect for one another without regard to religion or race or riches.

Let me be specific.

The greatest threat to the long-term welfare of our unrivalled economic system is found in the bitterness and the antagonism between labor and capital. I believe

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A Humanitarian and Liberal Program for the Republican Party

in the American economic system and I feel that if this clash continues it will in time bring down on us nationalization and socialization and rigid controls just as it has in England. This would mean the end of the American system, and it would be a tragedy for labor as well as for capital.

The major key to the operation of the American economic system is the profit and loss factor. For that is the regulator and adjuster of the competitive free system.

In my judgment our American economic system of people's capitalism will best be served by the development throughout American business of voluntary profit-sharing plans by corporations with their employees.

Encourage Profit-Sharing

Therefore, as President, I would actively encourage the development of voluntary profit-sharing plans with employees throughout the country.

The principal method of doing this would be through giving more favorable treatment in the tax laws to a business corporation that shared its profits with its employees, including its skilled and unskilled, managerial, professional and clerical personnel.

In other words, less tax-paying to the Federal government and more profit-sharing with employees would be our objective for American business.

The efficient production and distribution of goods or services at a price that will compete successfully in the market place and be within reach of prospective customers is the tradition of American business. If America is to continue that tradition, business must be able to pay good wages to employees who are free to organize, to maintain their unions, and to bargain collectively and effectively. It should also be able to offer good salaries or other payments to the managers and to scientists and engineers who make the business operate successfully. And it should be permitted to pay a good return in interest or dividends to the owners of the money invested in the tools and factories, in plants and equipment.

Finally, it should be possible for corporations to establish reserves for modernization, future expansion and the research that means new products and a rising standard of living.

Then, if profits climb beyond these requirements, the additional profits should be shared with the employees as well as with the managers and the owners.

If the profits are shared, much can be accomplished in increasing the understanding and therefore the support of the American economic system by the employees. And if the employees of the corporations across America understand and support the American economic system, that system will be as firmly grounded as the Bill of Rights itself, with both political parties actively championing and defending it.

The profit-sharing plans will, of course, need to be worked out very carefully; they must be fair and at the same time must protect the rights of management. But hundreds of companies are now operating under such plans and from their experience, with proper encouragement from government, profit-sharing can spread across the nation in a few years' time.

It would also be the policy of my administration to see to it that each major economic group received a good and just share of a high over-all national income.

Assure an Excellent Income to Farmers

This policy is especially important to the farmers. In return for producing a bountiful supply of good food, they should have an excellent income, received without governmental control of their lands, or their crops, or their marketing. This would be my administration's policy and it can be carried out without great difficulty along with the programs for a modern gold standard and full employment with profit-sharing.

If the relations between groups within America are improved and the currency is kept sound, rapid progress can be made towards better housing, better health, and better schools. We can have full employment, with conservation of natural resources, and without socialization.

While working out these important domestic policies very carefully, as President, I would never lose sight of the fact that a consistent and successful foreign policy is essential to the well-being of our American people at home.

The most serious failures of the present national administration have been failures of foreign policy.

These failures are the chief reason why the Communists have become the cruel masters of more than 800 millions of people who were our friends, and today these Communists are a threat to America and to the rest of the world. And their encroachments, encouraged by fumbling and ineptitude, are in turn the principal reason why taxes are so high, prices are climbing, millions of young Americans are in uniform, and other millions will be called.

A Foreign Policy

It is my view that the foreign policy of our country should have these clearcut, outspoken objectives:

To help all peoples make progress toward better living and become our friends;

To defeat Communism without a World War;

To turn all nations away from Socialism towards economic freedom;

To strengthen the United Nations and rewrite the Charter.

The terrible errors of these past six and one-half years have come about through being soft towards Communism, sympathetic towards Socialism, confused in policy, and blundering in program.

A new American foreign policy —definitely stated, fortrightly explained, and clearly understood— which would oppose Communism everywhere as an enemy of freedom and of human decency, and would refuse to aid Socialism as a mistaken blind alley leading towards stagnating bureaucracy and totalitarianism, would give dynamic strength to our leadership in the world.

The vast majority of men and women everywhere would welcome such a foreign policy. We would seek to dominate no other nation. We would move consistently towards more freedom and better living for people everywhere.

And as we do so, we would maintain a strong and alert military position so that if the Communists made a desperate military attack we would defeat them. Meanwhile with ingenuity and persistence we would send the truth through the Iron Curtain to the enslaved peoples on the other side. At home we would insist upon unwavering loyalty to America on the part of every employee of the Federal Government and would redouble our efforts against spies and saboteurs.

I have great confidence that such a new foreign policy, consistent and resolute, would lead to a stable peace. The resistance of the prisoner peoples within the Iron Curtain is already a major deterrent to a Communist aggressive war. If Russia began a shooting war, we would defeat her. And on the economic and social front we can defeat Communism and its fraudulent ideology all around the world, if we but set our policy to do it.

The dynamic policy I advocate rejects the negative and soft internationalist-containment policy which the administration has followed. It also rejects the timid, semi-isolationist-defensive policy which some others advocate.

The policy I urge on America recognizes the challenge and responsibility of world leadership and it steps forward to exercise that leadership for the sake of the future freedom and civilization of mankind.

These inter-related policies at home and abroad would be worthy of the great traditions of America and would be in keeping with its high principles.

They would result in a higher real income for American people of all walks of life, in a better deal than any narrow or reactionary or socialistic program could offer.

Would Get Counsel of Leaders and Experts

And to put the program into effect, I would create an administration composed of the most alert men and women of high integrity in America. And I would seek the advice and counsel of experienced men, regardless of party, who place the future of their country above all other considerations.

For example, in acting on problems of the Western Pacific and in devising military plans for that area. I would confer with that soldier-statesman, General Douglas MacArthur.

On questions of financial and economic policy, domestic and foreign, I would seek the views of that sage of the past half century, the Honorable Bernard Baruch.

Similarly on the problems of Western Europe and of our military policy I would ask the recommendations of General Dwight D. Eisenhower. I have just returned from talking with him. His views are very sound and his ability is remarkable.

In reorganizing and streamlining the over-grown, corrupt, and inefficient Federal bureaucracy, I would consult that remarkable administrator, the Honorable Herbert Hoover.

And on matters related to the United Nations and the dependent and struggling peoples of Asia, Africa, and the Near East, I would call upon the Honorable Ralph Bunche.

I would also seek support and cooperation of the Democrats of the nation for all measures of broad public concern. Here my key contacts for guidance would be the Honorable James A. Farley, and Senator Harry F. Byrd.

I would take full responsibility for the decisions which I made, but in all humility I frankly state the need which I or anyone should feel for the best of suggestions and advice before making decisions which are of such grave consequence to America and to mankind.

I wish to make it clear that I do not expect any of these men to become active in any way in my campaign. Some of them may in fact take a part in the campaign of some other candidate. But regardless of that, if I am elected I intend to seek their counsel and advice because of their preeminent qualifications in their special fields and their unquestioned and superlative loyalty to our country.

These, then, are the high-lights of the policies and methods I would follow as your President. I have great confidence that under such policies our nation would make great progress in a world at peace, that the United Nations could be strengthened, that gradually all mankind would climb to better living and a richer culture.

I believe deeply that these are the right policies. I will present them frankly and fully in the weeks ahead to the voters of America in the Republican primaries and conventions across the nation, and if I am nominated and elected, they are the policies I pledge to carry out as your President, God willing, in the next four years.

Summary of Program

And now may I restate in a quick summary my program for the future happiness and well being of my fellow citizens. This is that program:

A higher moral standard in the nation's capital with plain honesty in public employees.

A modern gold standard to anchor the American dollar, to make it a "solid dollar," and prevent the disaster of runaway inflation; and with this full employment, excellent farm income, conservation of natural resources, and a balanced budget.

Greater harmony between groups in our country, with less tax-paying and more profit-sharing plans with employees throughout American business.

A new American foreign policy, dynamic and clear-cut, to win the peace and gain expanding freedom for ourselves and for others.

An administration that is not a "one man band" but uses experienced counsel and advice, and an exceptionally able, high-caliber, and unquestionably loyal administration serving the people as a whole.

On the basis of this program and these policies I invite and will welcome the support of all forward-looking men and women, Republicans and Democrats, Independents and Non-Partisans.

I particularly urge the young men and young women who believe in this program and in this approach to America's problems to join with us in this movement.

We will need candidates for Republican delegates throughout the states of the Union. We will need workers of every kind. We will need campaign funds from thousands of contributors. Above all we need a million volunteers to speak to their neighbors, their friends, their relatives.

We also urge young people to run for seats in Congress, for offices in court houses, for positions in party leadership, for delegates to county and district and state and national Republican conventions.

Whoever you may be and wherever you may be, if you believe in the program I have outlined for the future of America, we need, we invite, we welcome your support.

Together we can meet the threats.

We can stop the price spirals, clear up the danger of war, let young people plan for their own futures, and lift the moral standards of our country.

I have great faith in the glorious future of our country. I pledge my devoted efforts in the service of America, and through America to the service of mankind under God.

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Financial Policies And Productivity

long range foreign economic policy, that we look upon industrial development abroad and at home as the particular function of private enterprise.

This organization also urges that where aid is given by the Government it does not seem unreasonable to expect an adequate *quid pro quo*, which "could well include, among other things, the opportunity of access to sources of needed raw materials; the opportunity to acquire an equitable share of the increased production of both raw materials and manufactured goods resulting from the aid extended; the conclusion of Treaties of Friendship, Commerce and Economic Development looking toward the creation of political and economic environments conducive to the investment of private capital; the facilitation of a wider system of multilateral, non-discriminatory world trade; the establishment of closer regional economic integration, and any appropriate and constructive action in the military sector. In face of the great contribution the United States is making to the common cause, no nation should be reluctant to accept the obligations essential to a common effort." However, it is not only important that there be no discrimination against foreign capital but that the treatment of all industry within a country be such as to encourage productive growth. Taxation must encourage and not repress. Labor laws and the methods of enforcement must deal fairly with both employer and employee. Laws should neither compel the excessive distribution of dividends nor restrict them unduly. All in all the economic atmosphere must be that in which there is incentive for progress in private industry.

To be more specific on the essentials of a favorable economic environment for investment of United States capital abroad, I wish to emphasize as does this statement of policy, that there should be "freedom from discrimination on the ground of nationality of ownership, freedom from compulsion as to local equity participation, free convertibility of earnings on capital invested," freedom to use technical personnel, "and assurances, in the event of expropriation, of prompt, adequate and effective compensation. These are not impossible or unreasonable objectives, and our foreign economic policy must be designed to seek their attainment in every area where barriers to their realization exist."

The statement concludes, and I agree, that private enterprise should be called upon under our domestic and foreign economic policy and under similar policies in the other countries of the world to play a large part in the worldwide efforts put forth. Given encouragement and support, private enterprise here and abroad will provide the facilities and technical and managerial skills for increased production of raw materials, of essential products, of vital power for the development which must be the basis for all real economic progress. In today's world as it has been in the past economic progress is the foundation for all other progress.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John P. Schmidt has joined the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Jan. 6	102.0	101.4	103.6	98.2
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 6	2,039,000	2,027,000	2,071,000	1,963,400
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Dec. 22	6,205,800	6,225,200	6,232,176	5,763,310
Crude runs to stills—daily average (bbls.)	Dec. 22	¶6,545,000	6,553,000	6,757,000	6,159,000
Gasoline output (bbls.)	Dec. 22	21,773,000	22,276,000	22,181,000	20,075,000
Kerosene output (bbls.)	Dec. 22	2,664,000	2,523,000	2,862,000	2,600,000
Distillate fuel oil output (bbls.)	Dec. 22	10,150,000	10,270,000	9,428,000	9,436,000
Residual fuel oil output (bbls.)	Dec. 22	9,017,000	8,763,000	9,305,000	8,715,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 22	117,618,000	114,812,000	111,698,000	112,631,000
Kerosene (bbls.) at	Dec. 22	26,892,000	28,434,000	31,661,000	21,819,000
Distillate fuel oil (bbls.) at	Dec. 22	87,847,000	91,649,000	98,986,000	73,273,000
Residual fuel oil (bbls.) at	Dec. 22	43,307,000	44,157,000	47,591,000	39,914,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 22	671,622	753,194	711,447	747,189
Revenue freight received from connections (number of cars)	Dec. 22	599,893	668,914	654,691	690,187
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 27	$173,495,000	$139,005,000	$179,341,000	$111,193,000
Private construction	Dec. 27	106,654,000	66,734,000	115,966,000	48,457,000
Public construction	Dec. 27	66,841,000	72,271,000	63,375,000	62,736,000
State and municipal	Dec. 27	61,137,000	48,027,000	43,935,000	59,772,000
Federal	Dec. 27	5,704,000	24,244,000	19,440,000	2,964,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 22	10,600,000	*11,470,000	10,120,000	11,318,000
Pennsylvania anthracite (tons)	Dec. 22	924,000	935,000	841,000	904,000
Beehive coke (tons)	Dec. 22	157,000	*158,700	136,000	145,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Dec. 22	655	*613	354	640
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 29	6,921,625	7,823,731	7,475,693	6,479,302
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Dec. 27	163	117	148	125
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 25	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Dec. 25	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Dec. 25	$42.00	$42.00	$42.00	$45.13
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 26	24.200c	24.200c	24.200c	24.200c
Export refinery at	Dec. 26	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Dec. 26	103.000c	103.000c	103.000c	150.000c
Lead (New York) at	Dec. 26	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Dec. 26	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Dec. 26	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 31	96.54	96.39	96.91	101.40
Average corporate	Dec. 31	108.16	108.52	109.06	115.63
Aaa	Dec. 31	112.37	112.75	113.70	119.82
Aa	Dec. 31	111.44	112.00	112.56	118.60
A	Dec. 31	107.09	107.80	107.98	114.85
Baa	Dec. 31	101.97	101.97	102.80	109.60
Railroad Group	Dec. 31	103.64	103.97	105.00	112.00
Public Utilities Group	Dec. 31	108.16	108.70	109.06	115.82
Industrials Group	Dec. 31	112.75	113.12	113.50	119.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 31	2.73	2.74	2.71	2.39
Average corporate	Dec. 31	3.27	3.25	3.22	2.87
Aaa	Dec. 31	3.04	3.02	2.97	2.66
Aa	Dec. 31	3.09	3.06	3.03	2.72
A	Dec. 31	3.33	3.29	3.28	2.91
Baa	Dec. 31	3.63	3.63	3.58	3.19
Railroad Group	Dec. 31	3.53	3.51	3.45	3.06
Public Utilities Group	Dec. 31	3.27	3.24	3.22	2.86
Industrials Group	Dec. 31	3.02	3.00	2.98	2.70
MOODY'S COMMODITY INDEX	Dec. 31	458.8	461.0	456.1	507.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 22	153,591	169,359	144,151	171,484
Production (tons)	Dec. 22	203,923	200,151	184,691	241,058
Percentage of activity	Dec. 22	86	86	75	105
Unfilled orders (tons) at end of period	Dec. 22	333,224	387,000	382,247	598,431
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Dec. 28	147.2	147.1	148.1	147.7
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 15	26,929	31,030	21,292	36,232
Number of shares	Dec. 15	774,374	896,086	608,024	1,117,986
Dollar value	Dec. 15	$34,369,715	$40,201,080	$26,845,662	$45,655,819
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 15	24,487	25,382	17,623	38,339
Customers' short sales	Dec. 15	122	268	156	310
Customers' other sales	Dec. 15	24,365	25,114	17,467	38,029
Number of shares—Total sales	Dec. 15	678,350	713,267	495,191	1,138,749
Customers' short sales	Dec. 15	4,316	8,301	5,436	12,217
Customers' other sales	Dec. 15	674,034	704,966	489,755	1,126,532
Dollar value	Dec. 15	$27,959,465	$28,900,779	$20,514,489	$42,405,513
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 15	212,650	199,240	127,850	392,430
Short sales	Dec. 15	------	------	------	------
Other sales	Dec. 15	212,650	199,240	127,850	392,430
Round-lot purchases by dealers—					
Number of shares	Dec. 15	298,940	384,250	263,070	389,040
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—1926 = 100:					
All commodities	Dec. 25	177.4	*177.0	177.7	177.0
Farm products	Dec. 25	195.2	193.2	197.8	190.3
Grains	Dec. 25	196.7	198.9	197.8	184.6
Livestock	Dec. 25	237.6	231.2	243.5	244.[illegible]
Foods	Dec. 25	189.2	*188.9	189.9	190.2
Meats	Dec. 25	265.1	265.4	269.4	256.8
All commodities other than farm and foods	Dec. 25	165.6	165.6	165.2	167.8
Textile products	Dec. 25	160.0	160.1	159.1	172.4
Fuel and lighting materials	Dec. 25	138.5	138.8	138.8	136.2
Metals and metal products	Dec. 25	190.9	190.9	190.9	184.9
Building materials	Dec. 25	224.6	224.7	224.7	222.3
Lumber	Dec. 25	347.9	347.9	347.5	‡
Chemicals and allied products	Dec. 25	137.6	138.2	139.9	141.4

*Revised. ‡Not available. ¶Includes 396,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of September	69,429	73,816	59,449
Stocks of aluminum (short tons) end of Sept.	14,327	10,968	9,692
AMERICAN ZINC INSTITUTE, INC.—Month of November:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	79,376	79,432	79,226
Shipments (tons of 2,000 lbs.)	77,419	73,583	79,079
Stocks at end of period (tons)	25,041	23,084	9,255
Unfilled orders at end of period (tons)	67,268	66,293	60,799
COKE (BUREAU OF MINES)—Month of Oct.:			
Production (net tons)	6,734,174	*6,468,080	6,724,400
Oven coke (net tons)	6,114,103	5,923,383	6,045,300
Beehive coke (net tons)	620,071	*544,692	679,100
Oven coke stocks at end of month (net tons)	1,814,586	1,763,801	984,118
CONSUMER PURCHASES OF COMMODITIES —DUN & BRADSTREET, INC. (1935-1939=100)—Month of November	334.8	329.5	305.5
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of November	730,817	905,062	1,012,642
In consuming establishments as of Dec. 2	1,439,702	1,238,596	1,847,023
In public storage as of Dec. 2	5,934,682	5,567,181	6,992,878
Linters—Consumed month of November	130,755	135,795	118,746
In consuming establishments as of Dec. 2	233,570	188,909	264,220
In public storage as of Dec. 2	52,627	42,112	117,07[illegible]
Cotton spindles active as of Dec. 2	20,519,000	20,394,000	20,760,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of November:			
Contracts closed (tonnage)—estimated	193,668	*183,921	308,193
Shipments (tonnage) estimated	218,236	*239,039	193,751
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of November:			
Earnings—			
All manufacturing	$65.25	$65.21	$62.23
Durable goods	70.42	70.84	66.34
Nondurable goods	58.69	58.00	57.19
Hours—			
All manufacturing	40.3	40.4	41.1
Durable goods	41.3	41.6	41.8
Nondurable goods	39.1	38.9	40.3
Hourly earnings—			
All manufacturing	$1.619	$1.614	$1.514
Durable goods	1.705	1.703	1.587
Nondurable goods	1.501	1.491	1.419
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of November:			
Automatic gas water heaters shipments (units)	145,300	153,600	206,000
Domestic gas range shipments (units)	188,400	224,200	269,100
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of October:			
Factory sales (number of units)	259,469	210,086	331,445
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of October:			
Factory sales of washers (units)	297,210	*313,756	439,92[illegible]
Factory sales of ironers (units)	29,800	18,300	47,5[illegible]
Factory sales of dryers (units)	59,299	43,752	28,8[illegible]
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSN.)—Month of October:			
Total number of vehicles	526,444	476,002	760,5[illegible]
Number of passenger cars	414,533	365,906	651,16[illegible]
Number of motor trucks	110,737	109,353	108,84[illegible]
Number of motor coaches	1,174	743	55[illegible]
NEW YORK STOCK EXCHANGE—			
As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debt balances	$1,278,851	$1,290,774	$1,360,366
Credit extended to customers	40,804	40,316	127,265
Cash on hand and in banks in U. S.	394,301	413,947	370,333
Total of customers' free credit balances	805,242	853,001	795,755
Market value of listed shares	106,308,738	106,439,230	8,950,642
Market value of listed bonds	97,150,506	97,511,473	118,503,393
Member borrowings on U. S. Govt. issues	70,709	61,634	220,168
Member borrowings on other collateral	682,138	675,235	703,301
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)—			
Month of October:			
Total operating revenues	$965,551,626	$855,928,988	$925,383,234
Total operating expenses	699,597,738	660,407,749	635,017,861
Operating ratio	72.45%	77.16%	68.62%
Taxes	§$126,091,625	$105,667,570	$739,194,238
Net railway operating income before charges	121,899,700	75,724,639	134,459,630
Net income after charges (est.)	98,000,000	50,000,000	108,000,000
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of October (000's omitted):			
Savings and loan associations	$491,793	$445,850	$442,87[illegible]
Insurance companies	135,331	113,712	175,916
Bank and trust companies	304,640	263,396	324,892
Mutual savings banks	89,710	82,671	112,821
Individuals	231,585	203,825	216,012
Miscellaneous lending institutions	230,727	198,967	271,898
Total	$1,483,786	$1,308,421	$1,544,410
ZINC OXIDE (BUREAU OF MINES)—Month of October:			
Production (short tons)	17,337	15,705	20,576
Shipments (short tons)	18,249	13,808	1[illegible],672
Stocks at end of month (short tons)	19,968	20,880	10,258

*Revised figure. §Includes non-recurring tax credit of $12,766,487 resulting from adjustment of income taxes for war years.

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News About Banks and Bankers

disclosed. Of historical interest is the fact that the Guaranty Trust Co. was located at 28 Nassau St. until March, 1913. The site acquired by the Guaranty Trust Co. occupies almost the entire block bounded by Nassau, Liberty, William and Cedar Streets. The sale marks the first time in 67 years that the historic landmark has changed ownership. The Mutual Life occupied buildings on this site from 1884 until May 1, 1950, when it moved to its new skyscraper office building on Broadway between 55th and 56th Streets. The seven buildings on the site range in height from eight to seventeen stories. Oldest among them is the 8-story structure at 34 Nassau Street taking up the east blockfront between Cedar and Liberty Streets. The building at 34 Nassau Street has considerable historic interest as to location. It was the site of the Middle Dutch Church, and from its towers Benjamin Franklin conducted many of his experiments. Within the chuch walls patriots had been imprisoned by the British during the War of the Revolution. In the Eighteen Hundreds the Federal Government purchased the church building and converted it into New York City's Central Post Office. Not long afterwards the Mutual Life bought the property from the government for $650,000 and in 1884 the first Mutual Life Building was built there.

* * *

John C. Clark, formerly Assistant Manager in the bond department of **Chase National Bank of New York City,** joined the staff of **Wachovia Bank & Trust Company, Wachovia, N. C.,** Jan. 1, as Manager of an expanded bond department of Wachovia. In announcing Mr. Clark's appointment, Wachovia President Robert M. Hanes stated that the enlarged operations of the bond department will cover the entire Carolina area and that though Mr. Clark's headquarters will be in Winston-Salem, he will work through the various state-wide offices of Wachovia. Mr. Clark is a native of New York and has spent his entire business career in the field of investment banking, specializing in municipal bonds. In 1947, he joined the bond department staff of Chase National Bank and in 1949 was made Assistant Manager of the department.

Horace C. Flanigan, President of **Manufacturers Trust Company of New York,** announces that Joseph L. Engel and William J. Fabry have been named Assistant Secretaries. Mr. Engel, who is located at the bank's Main Office, began his banking career with the Colonial Bank in 1918. He came to Manufacturers Trust Co. in 1928. Mr. Fabry started in the banking business in 1923 with the Chelsea Bank and Trust Co. He joined Manufacturers Trust Co. in 1933 and has been located at the bank's 14th Street Office since 1943.

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	Dec. 31, '51 $	Sept. 30, '51 $
Total resources	2,766,392,897	2,629,940,898
Deposits	2,569,980,634	2,424,436,574
Cash and due from banks	874,335,582	749,756,957
U. S. Govt. security holdgs.	851,914,255	870,872,901
Loans & discts.	816,946,337	805,497,277
Undiv. profits	41,214,678	37,533,935

* * *

GRACE NATIONAL BANK OF NEW YORK

	Dec. 31,'51 $	Sept. 30,'51 $
Total resources	143,310,712	129,440,552
Deposits	120,389,535	113,052,404
Cash and due from banks	44,731,915	38,914,733
U. S. Govt. security holdings	52,240,865	48,408,456
Loans & discounts	34,354,232	30,265,174
Undivided profits	1,067,272	1,749,225

NEW YORK TRUST CO., NEW YORK, N. Y.

	Dec. 31,'51 $	Sept. 30,'51 $
Total resources	786,376,892	770,731,681
Deposits	704,865,081	689,093,256
Cash and due from banks	221,190,770	195,951,123
U. S. Govt. security holdings	229,826,385	237,263,858
Loans & discounts	309,871,498	312,557,550
Undivided profits	10,178,735	15,229,484

* * *

CORN EXCHANGE BANK TRUST COMPANY OF NEW YORK

	Dec. 31,'51 $	Sept. 30,'51 $
Total resources	840,738,753	806,322,777
Deposits	788,650,638	755,277,731
Cash and due from banks	262,042,371	251,807,440
U. S. Govt. security holdings	394,123,142	384,625,556
Loans and bills discounted	143,034,600	128,586,580
Undivided profits	8,910,070	8,742,195

* * *

J. P. MORGAN & CO., INCORPORATED, NEW YORK

	Dec. 31,'51 $	Sept. 30,'51 $
Total resources	714,405,583	712,562,570
Deposits	622,159,042	634,299,433
Cash and due from banks	164,022,802	136,856,766
U. S. Govt. security holdings	172,373,748	176,027,845
Loans and bills discounted	268,604,248	255,065,923
Undivided profits	9,241,685	13,547,600

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	Dec. 31, '51	June 30, '51
Total resources	$52,541,004	$54,653,963
Deposits	43,182,513	45,427,955
Cash and due from banks	11,702,437	13,926,303
U. S. Govt. security holdings	18,439,543	19,493,195
Loans & discounts	3,720,034	4,116,058
Undivided profits	677,626	568,257

* * *

A sidewalk savings window, the first to be installed in Manhattan, which will enable persons to conduct transactions direct from the street, was opened at the Stuyvesant Town office of the **First Federal Savings and Loan Association of New York,** at 237 First Avenue, on Dec. 27, it was announced by Harold C. Hahn, President. Providing for greater convenience and time saving, the novel sidewalk window permits shoppers to conduct their savings transactions outdoors, direct from the street, without the necessity of entering the building. Tellers and account holders are able to converse by means of a special speaker system within the window. John E. Kottemann is Manager of the Stuyvesant Town office. Transactions other than havings are handled at the regular windows within the First Federal Savings and Loan Association.

* * *

John G. Deinhardt and Andrew Weick were guests at a farewell luncheon given in their honor by the officers and trustees of the **Lincoln Savings Bank of Brooklyn, N. Y.,** in the bank's dining room on Dec. 27. Mr. Deinhardt, who retired after 28 years of service, was given a piece of luggage, while Mr. Weick, whose service with the bank dates back to 1933, received a wrist watch.

* * *

Approval was given on Dec. 11 by the New York State Banking Department to the plans of the **Syracuse Trust Company of Syracuse, N. Y.,** to increase its capital from $1,000,000 to $1,800,000. The stock is in shares of $10 par each.

* * *

Effective Dec. 4 the **First National Bank of Toms River, N. J.,** increased its capital from $650,000 to $675,000, by the sale of $25,000 of new stock.

* * *

Year-end promotions at **Girard Trust Corn Exchange Bank, Philadelphia,** have been announced by Geoffrey S. Smith, President. Seven officers were advanced and five other members of the staff were elected to officer rank. As Vice-Presidents the board of directors elected John P. Adams, G. Wilbur Hornsby, Robert E. MacDougall, T. Wesley Matthews and Robert H. Wilson. Promoted to Assistant Vice-Presidents are Paul A. Carr and Thomas S. Jenks. New officers elected are Geoffrey D. Finley and Francis V. J. Mason, Assistant Treasurers; James M. Arrison, 2nd, Estate Planning Officer; Walter F. Diener, Assistant Trust Officer, and Harold W. Kalb, Assistant Auditor. These promotions are in addition to those announced on Nov. 27, when managers of all of the bank's offices were elected to the official staff.

* * *

Promotion of three officers and the election of two new Assistant Cashiers is announced by **The Bank of Virginia.** At the Dec. 7 meeting of the directors in Richmond, Va., Paul H. Brame, of Richmond, and James W. Buffington, of Norfolk, were promoted to Vice-Presidents. Frank T. Hyde, of Richmond, was named Assistant Vice-President. David Stuart Beckner, of Norfolk, and Charles Edward Carter, of Roanoke, were elected Assistant Cashiers. Mr. Brame, who is in charge of the Sales Finance Department for the bank in Richmond, came to the bank on Feb. 10, 1929. He was appointed Manager of the Sales Finance Department in 1943 and was elected Assistant Cashier in charge of the Sales Finance Department in January, 1944. He was elected Assistant Vice-President on Jan. 11, 1946. Mr. Buffington joined the bank on Jan. 14, 1946 as District Manager of Sales Finance Department in the bank's three offices in Norfolk, Portsmouth and Newport News, Va. He was made an Assistant Cashier in June, 1946, and promoted to Assistant Vice-President in January, 1948. Mr. Hyde, who worked with U. S. Tobacco Co. from 1938 to 1942, served with the Navy from 1942-45. In November, 1945, he joined the bank, and was named an Assistant Cashier on June 10, 1949. Mr. Beckner began with the bank in October, 1945, after 15 years banking experience in Norfolk. He was Manager of the Adjustment Department in the Norfolk bank until June, 1948, when he became a loan interviewer. Mr. Carter joined the bank in February, 1941, and from 1943-45 served with the Armed Forces. Returning to the bank in Roanoke, he had assignments as discount teller, etc. Recently he has been a loan interviewer and has worked with the business development program.

* * *

George Gund, President of **The Cleveland Trust Company of Cleveland, Ohio,** has been appointed a member of the Federal Advisory Council from the **Fourth (Cleveland) Federal Reserve District** for the year 1952, it was announced on Dec. 14 by George C. Brainard, Chairman of the board of directors of the Cleveland Reserve Bank. Mr. Gund succeeds Sidney B. Congdon, President of The National City Bank of Cleveland, who had been a member of the Council since Jan. 1, 1949. Long active in the civic and business life of Cleveland, Mr. Gund is an officer, trustee or director of many civic, philanthropic and educational organizations. He is also serving actively as a director of some 24 business corporations, ranging from coal and iron ore mining to fire and life insurance. In addition to banking, he has had wide experience in real estate, manufacturing and merchandising.

* * *

The Old Second National Bank of Aurora, Ill., reports a capital of $600,000, effective Nov. 27, increased from $400,000 by the sale of $200,000 of new stock.

* * *

As a result of the sale of $200,000 of new stock, the capital of the **First Granite City National Bank of Granite City, Ill.,** was increased, effective Dec. 3, from $200,000 to $400,000, according to the Dec. 10 Bulletin issued by the Office of the U. S. Comptroller of the Currency.

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"Our Entire Economy Is Based On Instalment Buying"

product is in the hands of the user and put to work.

With this thought in mind, a special committee was appointed by your past Chairman to explore the possibilities of finding a vehicle with which banks, countrywide, and manufacturers of durable goods might get a little closer together. This Committee met with eight manufacturers, representing as many industries, just a few weeks ago for a period of two and a half days. The discussions were very frank and honest.

Many of the current practices and views, both good and bad, of both banks and manufacturers were quite fully aired. We learned much about what these gentlemen felt was needed in banking, among which here are a few:

The continuing service factor of which I have previously spoken.

A greater uniformity in the basic philosophy of all banks as related to the instalment lending business.

The education at the top levels in banking of the true social significance of this phase of lending to banks as a whole.

Need Improved Sales Practices

From this gathering, it is clearly evident that manufacturers in a number of industries distinctly recognize the need for more stringent education of their distributing organizations with respect to sales practices. They are fully aware of some of the evils that have crept in and are interested in cooperating with banks, where possible, to do a better and more constructive job at their end. Manufacturers of durable goods, in particular, are quite aware of the trend at the local level toward bank financing of a larger and larger share of their products.

We of banking have a responsibility to the manufacturers of this country in being the leaders and in promoting sound lending practices which, when properly integrated with their thinking, will help to reveal and improve some now existing selling practices and obviate the need of many controls.

It has been stressed time and again to banks that instalment financing is a highly specialized type of lending—in many respects, the complete reverse of conventional commercial lending. When properly administered, in addition to serving the needs of the people of their communities, it can produce a satisfactory return on their investment in relation to the risk involved. From time to time, it has been strongly suggested that banks could use outside trained personnel to advantage, depending on their size and the extent of their desired penetration into the market. Many banks have followed these suggestions and employed such personnel. After integration into their respective banks, many of these men now feel their talents are not being used to the best advantage of their institutions due to a continued lack of understanding of this business by all officers in their banks. On the other hand, many young men taken into banks apparently have been given the green light and may be extending credit far beyond their abilities to administer properly and soundly. Please let me make a strong plea to bank management to reappraise the manpower handling this important phase of their credits. Become more informed on the basic principles of its proper sound administration. You may find some hidden talent. Again, you may uncover the fact that capacity has not developed as expected in relation to the risk loans outstanding. This phase of banking is not foolproof; many have already learned. Yet, with sound management, many of the normally unforeseen pitfalls can be successfully circumvented.

Summary

Let me briefly bring to you a few salient points:

Instalment lending is a fundamental must in our economy. Banking is now the major factor in this field.

Instalment Lending — not consumer credit — is the proper mental approach to the subject. When soundly administered, it creates a real savings factor in our economy.

All banks must realize that instalment lending is different in concept and administration. It requires understanding, management, control—to the end that policies will be neither too severe no too lenient.

At the level of the national manufacturer, instalment lending, to be effective, must present a national front through banks all over the country. This brings a new concept of the responsibility of banking to such manufacturers. It imposes on the larger banks the responsibility of developing a secondary market for this class of paper. To do this, the big banks must develop the understanding that a continuing market for financing durable goods at the local level is basic in our economy; that the social significance of this business transcends all others; that they must so lead their correspondents that the administration of credit to all worthy individuals will be on a continuous basis.

The future of banking as we know it today lies in the hands of the people. Their confidence must be maintained.

These comments are indicative, but by no means conclusive. The subject is tremendous—the field unlimited. Of this we can all be satisfied: Instalment lending is a major function of modern banking.

Gruber, Yoeckel, V.-Ps. Of Union Securities

Union Securities Corporation, 65 Broadway, New York City, announces that Walter J. Gruber and Milton J. Yoeckel have been elected Vice-Presidents of the organization. Mr. Gruber has been associated with the firm since March, 1946, and Mr. Yoeckel since May, 1945. They both were made Assistant Vice-Presidents in January, 1950.

Newburger, Loeb & Co. Open New Branch Office

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, have opened a new branch office at 2366 Broadway, between 86th and 87th Streets. Mr. Alton M. Gerlach is the Manager of this office, and Mr. Edward Shelton the Assistant Manager.

This new office, air-conditioned and on the ground floor, is attractively appointed, and has on its walls several photomurals showing typical Wall Street scenes. It is the firm's sixth branch office in Manhattan.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

★ **Adshelf, Inc., New York**
Dec. 21 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes and working capital. **Office**—501 Fifth Ave., New York, N. Y.

Allied Kid Co., Boston, Mass.
Dec. 10 (letter of notification) 1,000 shares of common stock (par $5). **Price**—At market (estimated at $21 per share). **Underwriter**—Schirmer, Atherton & Co., Boston, Mass. **Proceeds**—To Benjamin Simons, the selling stockholder.

American Airlines, Inc., New York
Dec. 5 filed 740,750 shares of common stock (par $1), of which 135,750 shares are to be offered to executive employees through outstanding options at $11.70 per share, and 605,000 shares are to be offered to employees through above options. **Underwriter** — None. **Proceeds** — For working capital.

American Bosch Corp. (1/8-9)
Nov. 13 filed 65,450 shares of cumulative convertible second preferred stock, 1951 series, to be offered to common stockholders of record Jan. 8 at rate of one share of preferred for each 20 common shares held (with oversubscription privileges); rights to expire Jan. 22. **Price**—At par ($50 per share) and accrued dividends. **Underwriter**—Allen & Co., New York. **Proceeds**—For capital expenditures and working capital and other corporate purposes.

★ **American-Canadian Uranium Co., Ltd., Wilmington, Del.**
Dec. 28 filed 850,000 shares of common stock (par 10c). **Price**—$2 per share. **Underwriter**—None. **Proceeds**—To repay loans and other liabilities and for exploration expenses.

American Fire & Casualty Co., Orlando, Fla.
Dec. 19 (letter of notification) 11,100 shares of common stock (par $10). **Price** — $27 per share. **Underwriter** — Guardian Credit Corp., Orlando, Fla. **Proceed** — For purchase of securities. **Office** — American Building, Orlando, Fla.

★ **American Metallic Chemicals Corp., Portland, Ore.**
Dec. 20 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—$3 per share. **Underwriter**—M. S. Gerber, Inc., New York. **Proceeds**—To purchase equipment and machinery. **Offices**—36 West 44th St., New York, N. Y., and 12005 North Burgard Ave., Portland 3, Ore. **Offering**—Now being made.

American Motor Racing Corp.
Nov. 14 (letter of notification) 60,000 shares of preferred stock (par $5) and 1,200 shares of common stock (no par) in units of 50 shares of preferred and one share of common stock. **Price**—$250 per unit. **Underwriter**—None **Proceeds** — For acquisition of property, construction of race track, etc. **Office**—c/o Morris Orenstein, 31 Mamaroneck Ave., White Plains, N. Y.

★ **Arizona Flour Mills Co., Phoenix, Ariz.**
Dec. 24 (letter of notification) 20,000 shares of capital stock (par $10). **Price** — $15 per share. **Underwriter**—Refsnes, Ely, Beck & Co., Phoenix, Ariz. **Proceeds**—To retire promissory notes and for working capital. **Company's Address**—P. O. Box 2510, Phoenix, Ariz.

Arwood Precision Casting Corp.
Nov. 13 (letter of notification) $100,000 of unsecured 4% debentures due Oct. 1, 1961. **Price**—At par (in denominations of $100 each). **Underwriter** — None. **Proceeds**—For working capital. **Office**—70 Washington St., Brooklyn 1, N. Y.

Atlas Plywood Corp. (1/8)
Nov. 21, filed 240,000 shares of $1.25 cumulative convertible preferred stock (par $20), as amended Dec. 17. **Price** — To be supplied by amendment. **Underwriters** — Van Alstyne Noel Corp. and Merrill Lynch, Pierce, Fenner & Beane both New York. **Proceeds**—To repay $2,500,000 bank loans and for expansion and working capital.

Badger Manufacturing Co., Cambridge, Mass.
Nov. 5 (letter of notification) 17,500 shares of common stock (par $10). **Price**—$15 per share. **Underwriter**—None, but sales will be handled by H. W. Cooms, E. I. Clapp, R. W. Carlson and C. L. Campbell, all of Cambridge, Mass. **Proceeds**—For working capital. **Office**—230 Bent St., Cambridge, Mass.

Benbow Manufacturing Co., Burlingame, Calif.
Dec. 7 (letter of notification) 85,000 shares of capital stock (par $1), of which 10,000 shares are to be offered first to stockholders and 75,000 shares offered publicly. **Price**—$3 per share. **Underwriter**—None, but Davies & Co., San Francisco, Calif., acts as agent. **Proceeds**—To retire debt and for working capital. **Office**—1285 Rollins Road, Burlingame, Calif.

★ **Biow Co., Inc., New York**
Dec. 21 (letter of notification) 3,750 shares of common stock (par $1) to be offered for subscription by employees. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—640 Fifth Ave., New York, N. Y.

Blair (Neb.) Telephone Co.
July 18 (letter of notification) $175,000 of first mortgage 4% bonds, series A, due 1971. **Price**—101 and accrued interest. **Underwriter** — Wachob-Bender Corp., Omaha, Neb. **Proceeds**—To retire first mortgage (closed) 3½% bonds and to convert to dial operation.

NEW ISSUE CALENDAR

January 4, 1952	
Disco Industries, Inc.	Common
January 5, 1952	
William Penn Gas Co., Inc.	Common
January 8, 1952	
American Bosch Corp.	Preferred
Atlas Plywood Corp.	Preferred
Uarco, Inc.	Common
January 9, 1952	
Kaiser Aluminum & Chemical Corp.	Preferred
Kellogg Co.	Common
Marshall Field & Co.	Preferred
Philadelphia Electric Co.	Bonds
Southern Pacific Co. Noon (EST)	Equip. Trust Ctfs.
Van Norman Co.	Debentures
January 10, 1952	
Florida Power Corp.	Preferred
Public Service Co. of North Carolina, Inc.	Interim Notes
South Jersey Gas Co., 11 a.m. (EST)	Common
January 14, 1952	
Penn Fruit Co., Inc.	Preferred
January 16, 1952	
Mitchell (Harry) Brewing Co.	Common
Seaboard Finance Co.	Preferred
January 18, 1952	
New Britain Machine Co.	Common
January 22, 1952	
Indiana & Michigan Electric Co. 11 a.m. (EST)	Bonds & Notes
Kansas City Power & Light Co.	Preferred & Com.
Pacific Power & Light Co.	Common
January 23, 1952	
Central Illinois Public Service Co.	Preferred
January 29, 1952	
United Gas Corp., 11:30 a.m. (EST)	Bonds
January 30, 1952	
Lehmann (J. M.) Co., Inc. 11 a.m. (EST)	Common
February 1, 1952	
Southwestern Public Service Co.	Common
West Penn Electric Co.	Common
February 5, 1952	
Pennsylvania Power Co., 11 a.m. (EST)	Bonds
Additional Financing Expected in January	
Central Illinois Public Service Co.	Bonds
International Resistance Co.	Common
Olsen, Inc.	Common
Owens-Corning Fibreglas Corp.	Common
Moore International Television, Inc.	Common
Pioneer Air Lines, Inc.	Common
Southern California Petroleum Corp.	Preferred
Southern Oxygen Co.	Debentures

★ **Bureau of National Affairs, Inc., Washington, D. C.**
Dec. 19 (letter of notification) 300 shares of common stock (no par) to be offered to employees of organization. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For current operating expenses. **Office**—1231—24th St., N. W., Washington, D. C.

Burlington Mills Corp.
March 5 filed 300,000 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds**—For additions and improvements to plant and equipment. Offering date postponed.

California Tuna Packing Corp., San Diego, Calif.
Oct. 4 (letter of notification) $300,000 of 6% convertible sinking fund debentures due Oct. 1, 1966. **Underwriter**—Wahler, White & Co., Kansas City, Mo. **Proceeds**—For general corporate purposes. **Price**—At 100% and accrued interest. **Office**—2305 East Belt St., San Diego 2, Calif.

Carolina Power & Light Co.
Dec. 14 filed 33,000 shares of $5 cumulative preferred stock (no par) to be offered in exchange for $1.35 cumulative preferred stock (par $25) of Tide Water Power Co. on basis of one $5 preferred share for each 4 shares of Tide Water preferred, in connection with proposed merger of the two companies. **Underwriter**—None.

Catalin Corp. of America
Nov. 16 filed 281,243 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one share for each two shares held. **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For capital expenditures and working capital.

★ **Central Illinois Public Service Co. (1/23)**
Dec. 28 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York. **Proceeds**—For new construction.

★ **Central Illinois Public Service Co.**
Dec. 28 filed $5,000,000 of first mortgage bonds, series D, due Feb. 1, 1982. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. and Central Republic Co. (jointly); Glore, Forgan & Co. **Proceeds**—For new construction. **Bids**—Expected late in January.

Columbus National Life Insurance Co., Columbus, Ga.
Dec. 13 (letter of notification) 5,000 shares of capital stock (par $10), to be offered first for subscription by stockholders. **Price**—$30 per share. **Underwriter**—None. **Proceeds** — For increased capital. **Office**—400 Murray Bldg., Columbus, Ga.

★ **Columbia Pictures Corp., New York**
Dec. 26 filed 1,359 shares of common stock (no par). **Price**—At market (about $12.75 per share). **Underwriter**—None. **Proceeds**—To certain selling stockholders.

★ **Community Homes, Inc., Phoenix, Ariz.**
Dec. 21 (letter of notification) 250,000 shares of class A common stock and 50,000 shares of class B common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For construction of homes. **Office**—211 North First Ave., Phoenix, Ariz.

★ **Consolidated Grocers Corp.**
Dec.28 filed 200,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Underwriters** — Kuhn, Loeb & Co. New York, A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—To retire 21,307 shares of $100 par value 5% cumulative preferred stock and for additional working capital. **Offering**—Expected some time after the middle of January.

Cooperative Grange League Federation Exchange, Inc., Ithaca, N. Y.
Dec. 21 filed 100,000 shares of 4% cumulative preferred stock (par $100) and 1,000,000 shares of common stock (par $5), the preferred to be offered to farmer and nonfarmer GLF patrons, and the common stock to farmer patrons only. **Price**—At par. **Underwriter**—None. **Proceeds**—To repay bank loans and working capital.

★ **Counselors Investment Fund, Inc., Los Angeles, Calif.**
Dec. 26 filed 40,000 shares of capital stock (par $1). **Price**—At market. **Underwriter**—Pasadena Corp., Pasadena, Calif. **Proceeds**—For investment.

★ **Cream Valley Telephone Co., Hawkins, Wis.**
Dec. 21 (letter of notification) 1,000 shares of common stock (par $25). **Underwriter** — None. **Proceeds** — For construction costs.

Deardorf Oil Corp., Oklahoma City, Okla.
Sept. 24 (letter of notification) 175,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Underwriter**—None. **Proceeds**—For operating expenses. **Office**—219 Fidelity Building, Oklahoma City, Okla.

Disco Industries, Inc. (1/4)
Dec. 4 (letter of notification) 299,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Underwriter** — I. J. Schenin Co., New York. **Proceeds** — For new equipment and working capital.

Distributors Candy Co. (name to be changed to Schutter Candy Co.), Chicago, Ill.
Nov. 19 filed 200,000 shares of class A common stock (par $10) and 50,000 shares of class B common stock (no par), of which the class A stock and 25,000 shares of class B stock are to be offered in units of eight shares of class A and one share of class B; the remaining 25,000 class B shares are to be issued for an option to acquire the Schutter Candy Division of Universal Match Corp. **Price**—$82 per unit. **Underwriter**—None. **Proceeds**—To be applied toward purchase of Schutter properties. **Withdrawal**—Statement withdrawn Dec. 20.

Dow Chemical Co., Midland, Mich.
Nov. 16 filed 180,000 shares of common stock (par $15) of which about 133,202 shares will be offered to common stockholders of record Dec. 14 at rate of one share for each 50 shares held. Subscriptions must be filed between Jan. 3 and Jan. 25, 1952. Approximately 46,798 shares are to be offered to employees of the company and its subsidiaries. **Price**—$82.50 per share. **Underwriter**—None. **Proceeds**—For capital additions to plants and facilities and for other corporate purposes. Statement effective Dec. 10.

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Empire Southern Gas Co., Ft. Worth, Texas
Dec. 10 (letter of notification) 10,300 shares of common stock (par $10), to be offered first to common stockholders of record Dec. 17 at rate of one share for each 10 shares held; rights to expire Jan. 8. Unsubscribed shares then to directors and employees (up to 2,500 shares) then to stockholders on oversubscription privilege; balance to public. **Price**—$26.75 per share. **Underwriter**—None. **Proceeds**—To purchase natural gas distribution systems in Pampa and Panhandle, Texas. **Office**—2509 West Barry Street, Fort Worth 9, Texas.

★ **Essex County Newspapers, Inc., Boston, Mass.**
Dec. 21 (letter of notification) $300,000 of first mortgage bonds due 1972 (in denominations of $1,000 each). **Underwriter**—None. **Proceeds**—For newspaper plant and equipment. **Address**—c/o Withington, Cross, Park & McCann, 73 Tremont St., Boston 8, Mass.

Falstaff Brewing Corp., St. Louis, Mo.
Dec. 10 (letter of notification) 20,000 shares of common stock (par $1). **Price**—At market (approximately $12.50 per share). **Underwriter** — J. H. Williston & Co., New York. **Proceeds**—To Estate of Frederick R. Bauer. No general public offering planned.

First Western Co., Seattle, Wash.
Dec. 10 (letter of notification) 6,000 shares of class B common stock. **Price**—At par ($50 per share). **Underwriter**—None, but A. F. Crawford and R. B. Magner will handle sales. **Proceeds**—For construction and working capital. **Office**—8050—35th Street, Seattle, Wash.

Florida Power Corp. (1/10)
Dec. 12 filed 51,550 shares of convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch Pierce, Fenner & Beane, both of New York. **Proceeds**—For construction program.

Forbes & Wallace, Inc., Springfield, Mass.
Dec. 13 (letter of notification) 1,050 shares of class B common stock (no par). **Price**—$20 per share. **Underwriters** — Tifft Brothers, Springfield, Mass., and F. S Moseley & Co., Boston, Mass. **Proceeds**—To A. B. Wallace, the selling stockholder. **Office** — 1414 Main St., Springfield 2, Mass.

Form Moulding, Inc., Marion, Ind.
Dec. 17 (letter of notification) 31,740 shares of class B stock (par 10 cents), of which 20,000 shares will be issued to holders of class A stock in ratio of one-fifth share of class B to each share of class A held, with a value for each share of $1.25. The balance of 11,740 shares will be offered publicly. **Price**—To public, $1.15 per share. **Underwriter**—American Shares Corp., New York, and Young & Co., Pittsburgh, Pa. **Proceeds**—To clear up dividend arrearages on class A stock.

Fosgate Citrus Concentrate Cooperative (Fla.)
Nov. 13 (amendment) filed 452 shares of class A common stock (par $100); 5,706 shares of 5% preferred stock (par $100), cumulative beginning three years from July 16 1950); 7,597 shares of 4% revolving fund class C stock (par $100); 2,000 shares of 4% revolving fund class C stock (par $50); and 4,000 shares of 4% revolving fund class C stock (par $25). Of the 5,706 shares of 5% class B stock, 706 shares are for the account of Fosgate Growers Cooperative. **Price**—At par. **Underwriters**—None. **Proceeds**—To construct and equip frozen concentrate plant at Forest City, Fla.

★ **General Appliance Corp., Springfield, Mass.**
Dec. 21 (letter of notification) 20,000 shares of common stock (par 10 cents). **Price**—At market (approximately 40 cents per share). **Underwriter**—E. L. Aaron & Co., New York. **Proceeds**—To W. T. Lynch and E. J. Calza, two selling stockholders. **Office**—15 Park St., Springfield, Mass.

Giant Portland Cement Co.
Nov. 7 (letter of notification) 16,650 shares of common stock (par $1). **Price**—At market (about $6 per share) **Underwriter**—Craigmyle, Pinney & Co., New York. **Proceeds**—To Louise Craigmyle, the selling stockholder.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set

Grand Union Co., New York
Aug. 7 filed 64,000 shares of common stock (par $10) to be issued pursuant to an "employees' restricted stock option plan." **Price** — To be supplied by amendment **Underwriter**—None. **Proceeds**—For general corporate purposes. **Office**—50 Church St., New York.

Hawkeye-Security Insurance Co.
Nov. 5 (letter of notification) 2,000 shares of 5% cumulative preferred stock (par $50). **Price**—At market (currently $50 per share). **Underwriter**—Quail & Co., Davenport, Ia., and Becker & Cownie, Des Moines, Ia **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Hex Foods, Inc., Kansas City, Mo.
Aug. 1 (letter of notification) 89 shares of 6% cumulative preferred stock (par $100) and 424 shares of common stock (no par). **Price**—For preferred, at par; and for common, at $20 per share. **Underwriter** — Prugh Combest & Land, Inc., Kansas City, Mo., will act as dealer. **Proceeds**—For plant improvements and general corporate purposes. **Office**—412 W. 39th St., Kansas City, Mo.

Hoover Co., No. Canton, O.
Oct. 22 (letter of notification) 4,000 shares of common stock (par $2.50). **Price**—$18 per share. **Underwriter**—Hornblower & Weeks, New York. **Proceeds**—To William W. Steele, the selling stockholder.

Ideal Cement Co., Denver, Colo.
Nov. 9 filed 250,000 shares of capital stock (par $10) being offered in exchange for shares of $10 par stock of Pacific Portland Cement Co. of San Francisco on basis of one share of Ideal for each two shares of Pacific stock. Offer is subject to condition that 80% or more of Pacific outstanding stock must be tendered in exchange for Ideal stock. If exchange offer is consummated, it is Ideal's intention to operate the Pacific company as a subsidiary. **Dealer-Managers**—Boettcher & Co., Denver, Colo.; J. Barth & Co., San Francisco, Calif. **Offer**—To expire Jan. 31. Statement effective Nov. 29.

Indiana & Michigan Electric Co. (1/22)
Dec. 19 filed $17,000,000 of first mortgage bonds due Jan. 1, 1982 and $6,000,000 of serial notes due Jan. 1, from 1956 to 1967, inclusive. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co. Inc. **Proceeds**—To repay bank loans and for new construction. **Bids**—To be received up to 11 a.m. (EST) on Jan. 22.

Inland Steel Co.
Aug. 27 filed 250,000 shares of capital stock (no par) to be issuable upon exercise of stock option issuable under the company's proposed stock option plan. **Price**—To be 85% of current fair market value of the stock. **Proceeds**—For working capital.

International Aggregates Corp., Denver, Colo.
Dec. 10 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds**—For mill machinery and working capital. **Office**—209 Equitable Building, Denver 2, Colo.

★ **Investors Mutual, Inc., Minneapolis, Minn.**
Dec. 29 filed 3,000,000 shares of capital stock. **Price**—At market. **Underwriter** — Investors Diversified Services, Inc., Minneapolis, Minn. **Proceeds**—For investment.

Iowa Public Service Co.
Nov. 26 (letter of notification) 2,000 shares of common stock (par $5). **Price**—At market (approximately $19.50 per share). **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds** — To Ray P. Stevens, the selling stockholder.

Kaiser Aluminum & Chemical Corp. (1/9)
Nov. 27 filed 350,000 shares of cumulative preferred stock (par $50), convertible into common stock through 1961. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif. **Proceeds**—From sale of stock, together with proceeds from private sale to institutional investors of $33,500,000 additional first mortgage bonds and from $50,000,000 bank loans, to be used to finance the company's $100,000,000 expansion program.

Kankakee Water Co., Portland, Me.
Oct. 29 (letter of notification) 2,186 shares of 5½% cumulative preferred stock (par $100). **Price**—$105 per share. **Underwriter**—H. M. Payson & Co., Portland Me. **Proceeds**—For additions and improvements. **Office**—95 Exchange Street, Portland 6, Me.

★ **Kearney & Trecker Corp., West Allis, Wis.**
Dec. 26 (letter of notification) 5,800 shares of common stock (par $3). **Price**—$17 per share. **Underwriters**—Blyth & Co., Inc., and Robert W. Baird & Co., Inc. **Proceeds**—To Francis J. Trecker, the selling stockholder. **Office**—6784 W. National Ave., West Allis 14, Wis.

Kellogg Co., Battle Creek, Mich. (1/9)
Dec. 12 filed 415,060 shares of common stock (par 50 cents), of which 30,200 are for the account of the company and 384,860 are owned by W. K. Kellogg Foundation. **Price**—To be supplied by amendment. **Underwriters**—Morgan Stanley & Co., Clark, Dodge & Co. and Glore, Forgan & Co., all of New York. **Proceeds**—To company, to be used for working capital.

Key Oil & Gas Co., Ltd., Calgary, Canada
Oct. 3 filed 500,000 shares of common stock, of which 5,000 shares have been reserved for issuance to company counsel for services. **Price**—At par ($1 per share. **Underwriter**—None, but sales will be made by James H. Nelson, promoter and a director of company, of Longview, Wash. **Proceeds**—To drill well, for lease acquisitions and properties held pending development work, and for other corporate purposes.

Kingsburg Cotton Oil Co., Kingsburg, Calif.
Oct. 22 (letter of notification) 2,000 shares of capital stock (par $1). **Price**—$4.25 per share. **Underwriter**—Fewel & Co., Los Angeles, Calif. **Proceeds**—To Richard W. Fewel, the selling stockholder. **Address**—P. O. Box 277, Kingsburg, Calif. Placed privately.

Knorr-Maynard, Inc., Detroit, Mich.
Oct. 31 (letter of notification) $250,000 of 6% 10-year debentures due 1961. **Price**—At par (in denominations of $1,000 each). **Underwriter**—Lang-Heenan & Co., Detroit, Mich. **Proceeds** — For working capital. **Office**—5743 Woodward Ave., Detroit 2, Mich.

Kohn & Co., Columbia, S. C.
Oct. 22 (letter of notification) 925 shares of common stock, to be offered to present stockholders for subscription and in exchange for outstanding debentures. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To retire debt. **Office**—1526 Main St., Columbia, S. C.

Lindemann (A. J.) & Hoverson Co.
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

Loven Chemical of California
Oct. 8 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds** — For working capital. **Office** — 244 South Pine St., Newhall, Calif.

Lubrication Engineers, Inc., Fort Worth, Tex.
Nov. 20 (letter of notification) 750 shares of common stock to be offered first to stockholders, and then to public. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — For operating capital. **Office** — 2809 Race St., P. O. Box 7303, Fort Worth 11, Tex.

Marshall Field & Co., Chicago, Ill. (1/9)
Dec. 19 filed 150,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Underwriters**—Glore, Forgan & Co. and Lee Higginson Corp., New York. **Proceeds**—To retire bank loans.

McKesson & Robbins, Inc., New York
Dec. 5 filed 100,000 shares of common stock (par $18) to be offered under an "executive stock purchase plan" to employees of company and its subsidiaries. **Price**—Based on market (about $40 per share). **Underwriter**—None. **Proceeds**—For general corporate purposes. Statement effective Dec. 26.

Mercantile Acceptance Corp. of California
Oct. 24 (letter of notification) $100,000 of 10-year 5% junior subordinated debentures (in various denominations) and 306 shares of 5% first preferred stock (par $20). Of latter, 271 shares will be offered to public and 35 shares to employees only on an instalment basis. **Price**—At par. **Underwriter**—Guardian Securities Corp., San Francisco, Calif. **Proceeds**—For general corporate purposes.

Merchants Petroleum Co., Inc.
Dec. 17 (letter of notification) 4,000 shares of common stock (par $1). **Price** — At market (approximately 65 cents per share). **Underwriter**—Akin-Lambert & Co., Los Angeles, Calif. **Proceeds**—To R. Wayne Hudelson, the selling stockholder. **Office**—639 So. Spring Street, Los Angeles 14, Calif.

Metals & Chemicals Corp., Dallas, Tex.
Nov. 26 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Underwriter**—Beer & Co. and Binford, Dunlap & Reed, both of Dallas, Tex.; Carlson & Co., Birmingham, Ala., and Stuart Wyeth & Co. of Philadelphia, Pa. **Proceeds**—To purchase and install mill and for mining equipment and working capital. **Offering**—Originally scheduled for Dec. 5, but deferred temporarily. Corporation is considering increasing its financing and is now preparing a full registration statement. Now expected late in January.

Midwestern Insurance Co., Oklahoma City, Okla.
Dec. 10 (letter of notification) 3,000 shares of preferred stock to be offered to present stockholders. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For increased capital.

Miles Laboratories, Inc., Elkhart, Ind.
Oct. 12 (letter of notification) 6,000 shares of common stock (par $2). **Price**—Maximum, $18 per share; minimum, $16.50 per share. **Underwriter**—Albert McGann Securities Co., Inc., South Bend, Ind. **Proceeds**—To Estate of Rachel B. Miles.

Mineral Products Co., Pittsburg, Kansas
Oct. 4 (letter of notification) $225,000 of second mortgage 5% bonds to be offered to stockholders in ratio of $300 of bonds for each share of stock held as of record June 30, 1951, with an oversubscription privilege. **Price**—At principal amount. **Underwriter**—None. **Proceeds**—For equipment. **Office**—314 National Bank Bldg., Pittsburg, Kansas.

Mitchell (Harry) Brewing Co. (1/16)
Dec. 12 filed 99,500 shares of common stock (par $1). **Price**—$6 per share. **Underwriters**—Russ & Co., Inc., San Antonio, Texas, and Harold S. Stewart & Co., El Paso, Texas. **Proceeds**—To certain selling stockholders.

Montana Hardwood Co., Inc., Missoula, Mont.
Sept. 26 (letter of notificatiaon) 2,970 shares of 6% redeemable preferred stock (par $100) and 2,970 shares of common stock (par $1) to be offered in units of one preferred and one common share. **Price**—$101 per unit. **Underwriter**—None. **Proceeds** — To purchase land and erect plant. **Office**—123 West Main St., Missoula, Mont.

Moore International Television, Inc., N. Y.
Dec. 5 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For production of films for television presentation and general working capital. **Office** — 20 East 53rd Street, New York, N. Y. **Offering**—Expected in January.

Muntz TV, Inc., Chicago, Ill.
Nov. 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (approximately $2.87½ per share). **Underwriter**—John R. Kauffmann Co., St. Louis, Mo. **Proceeds**—To Earl W. Muntz, the selling stockholder. **Office**—1735 West Belmont Ave., Chicago, Illinois.

Nash (F. C.) & Co., Pasadena, Calif.
Dec. 7 (letter of notification) $200,000 of 5½% convertible debentures to be first offered to common stockholders on a pro rata basis; unsubscribed shares first to exchange, par for par, for $92,600 of outstanding 5½% cumulative preferred stock (par $100); remainder to be publicly offered. **Price** — At 100%. **Underwriter** — Pasadena Corp., Pasadena, Calif. **Proceeds**—To redeem unexchanged preferred stock and for working capital. **Office**—141 East Colorado Street Pasadena 1, Calif.

National Marine Terminal, Inc., San Diego, Calif.
Oct. 24 (letter of notification) 26,650 shares of 6% cumulative preferred stock (par $10) and 26,650 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Underwriter**—None. **Proceeds** — For working capital and to purchase an additional interest in tuna clippers. **Office**—1592 So. 28th St., San Diego 13, Calif.

National Motor Bearing Co., Inc.
Sept. 26 (letter of notification) 3,200 shares of common stock (par $1). **Price**—$31.25 per share. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. **Proceeds**—To Lloyd A. Johnson, President, who is the selling stockholder.

National Plumbing Stores Corp.
Oct. 15 (letter of notification) $123,500 of 20-year 3½% income notes due Oct. 1, 1971. **Price**—100%. **Underwriters**—None. **Proceeds**—For general corporate purposes. **Office**—79 Cliff Street, New York, N. Y.

Nevada Oil & Gas Co., Reno, Nev.
Dec. 6 (letter of notification) 48,350 shares of common stock. **Price** — At par ($1 per share). **Underwriter** — None. **Proceeds** — To purchase drilling equipment. **Office**—304-305 Clay Peters Building, 140 N. Virginia Street, Reno, Nev.

★ Nevada Uranium Co., Lovelock, Nev.
Dec. 24 (letter of notification) 230,160 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For machinery and equipment. **Address**—P. O. Box 653, Lovelock, Nev.

★ New Britain Machine Co., New Britain, Conn. (1/18)
Jan. 2 filed 70,000 shares of common stock (no par) to be offered to common stockholders of record Jan. 18 at rate of one share for each two shares held. **Price**— $20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Business**—Manufacture of multiple spindle automatic screw machines, etc.

★ Norwich Pharmacal Co.
Dec. 13 (letter of notification) 800 shares of common stock (par $2.50). **Price**—At market. **Underwriter**—Reynolds & Co., New York. **Proceeds**—To Warren E. Eaton, the selling stockholder.

Nu-Enamel Corp., Chicago, Ill.
Nov. 8 (letter of notification) $220,000 of 5% convertible notes, dated Dec. 1, 1951, and due Dec. 1, 1959. **Price**—At par (in denominations of $100 each). **Underwriter**—None. **Proceeds**—For working capital. **Office**—444 Lake Shore Drive, Chicago, Ill.

★ Organic Health Food Stores, Inc.
Dec. 20 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — For working capital. **Address** — c/o Robert Barber, Secretary, 1492 East 32nd St., Brooklyn, 34, N. Y.

Overseas Merchants Corp.
Nov. 16 (letter of notification) 10 shares of common stock (no par). **Price**—$1,000 per unit. **Underwriter**—E. M Warburg & Co. Inc., New York. **Proceeds**—To Eric M. Warburg, the selling stockholder. **Office**—52 William St., New York.

★ Pacific Gas & Electric Co.
Dec. 26 filed 163,986 shares of 5% redeemable first preferred stock, series A (par $25) to be offered to employees. **Price**—$24.50 per share, of which $23.50 per share is to be paid through payroll deductions under the Employees' Stock Purchase Plan. **Underwriter**—None. **Proceeds**—For new construction.

Pacific Power & Light Co. (1/22)
Dec. 21 filed 552,792 shares of common stock (no par), of which 200,000 shares are for account of company and 352,792 shares for the account of selling stockholders. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers; Union Securities Corp.; Bear, Stearns & Co.; and Dean Witter & Co. **Proceeds**—From sale of 200,000 shares, to be used for property additions and improvements.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price** — To be supplied by amendment **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

Penn Controls, Inc., Goshen, Ind.
Oct. 25 filed 100,000 shares of common stock (par $2.50) **Price**—To be supplied by amendment. **Underwriter**—F S Moseley & Co., Boston, Mass. **Proceeds**—For expansion program and working capital. **Withdrawal**—Statement withdrawn Dec. 21.

Penn Fruit Co., Inc., Philadelphia, Pa. (1/14-15)
Nov. 21 filed 30,000 shares of 5% cumulative convertible preferred stock (par $50) and 60,000 shares of common stock (par $5), the preferred to be sold for the company's account and the common stock for the account of six selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—Hemphill, Noyes, Graham, Parsons & Co., New York. **Proceeds**—To company, to reimburse treasury for expenditures made for fixtures and equipment and the balance will be added to working capital.

Pennsylvania Salt Mfg. Co.
Nov. 7 filed 88,497 shares of common stock (par $10) offered in exchange for common stock of Sharples Chemicals Inc. on basis of 5.15 shares of Pennsylvania Salt stock for each Sharples share (conditioned upon deposit for exchange of at least 13,748 of the 17,184 outstanding shares of Sharples stock; offer will expire on Jan. 21. **Underwriter**—None. Statement effective Dec. 19.

★ Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala. **Offering**—Expected early in January.

Philadelphia Electric Co. (1/9)
Dec. 10 filed $35,000,000 first and refunding mortgage bonds due 1982. **Price**—To be supplied by amendment. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Morgan Stanley & Co., New York. **Proceeds**—To repay bank loans and for new construction.

Pioneer Air Lines, Inc., Dallas, Tex.
Nov. 29 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Expected some time in January.

Pittsburgh Plate Glass Co.
June 27 filed 450,000 shares of common stock (par $10) to be offered to certain employees of the company and its subsidiaries under a stock option plan. **Price**—At 25% of the market price on the New York Stock Exchange at time options are granted. **Underwriter**—none. **Proceeds**—For working capital.

Procter & Gamble Co.
Nov. 29 Procter & Gamble Profit Sharing Dividend Plan and Procter & Gamble Stock Purchase Plan filed 2,000 participations in Profit Shaving Dividend Plan, 1,100 participations in Stock Purchase Plan, and 34,000 shares of common stock (no par) to be purchased by trustees for the plans for company stockholders from selling stockholders. **Underwriter**—None. Statement effective Dec. 27.

Public Service Co. of North Carolina, Inc. (1/10)
Dec. 11 filed $2,400,000 three-year interim notes due Jan. 1, 1955 (to be payable at maturity at company's option in an equivalent par value of convertible preferred stock of $25 par, at rate of one preferred share for each $25 principal amount of notes). **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—To help finance expansion program and company's changeover to natural gas.

Queen City Fire Insurance Co.
Nov. 5 (letter of notification) 500 shares of common stock (par $100) to be offered to stockholders of record about Nov. 12. **Price** — $400 per share. **Underwriter** — None. **Proceeds**—For working capital. **Office**—Sioux Falls, S. D.

★ Reeves Soundcraft Corp., N. Y.
Dec. 21 (letter of notification) 13,100 shares of common stock (par five cents). **Price**—$2.43¾ per share. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To Bernard Goodwin, the selling stockholder.

★ Republic Supply Co. of California
Dec. 28 filed 70,259 shares of capital stock (par $10). **Price**—To be supplied by amendment. **Underwriters**—Dean Witter & Co. and Blyth & Co., Inc. **Proceeds**—For expansion program and working capital.

Ritchie Associates Finance Corp.
Sept. 18 (letter of notification) $200,000 of 6% 15-year debentures, dated July 1, 1951, to be issued in multiples of $100. **Underwriter**—Cohu & Co., New York. **Proceeds**—To retire debts and purchase building. **Office**—2 East Church St., Frederick, Md.

★ Scott Paper Co.
Dec. 28 filed 6,000 memberships in the company's Employees' Stock Purchase Plan for 1952 together with 25,263 shares of common stock (no par) to be purchased under the plan.

Seaboard Finance Co. (1/16)
Dec. 17 filed 175,000 shares of convertible preferred stock (no par), each share to be convertible into 1½ common shares. **Price**—To be supplied by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For working capital.

Seattle Steam Corp., Seattle, Wash.
Oct. 12 (letter of notification) 3,000 shares of class B stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds** — To pay part of purchase price of Seattle steam heating properties and for working capital. **Office**—1411 Fourth Ave., Seattle, Wash.

★ Servomechanisms, Inc., Westbury, L. I., N. Y.
Dec. 26 filed 350,000 shares of common stock (par 20 cents), of which 250,000 shares are for the account of the company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Underwriter**—Van Alstyne Noel Corp., New York. **Proceeds**—For expansion program and working capital. **Offering**—Expected early in February.

Silver Buckle Mining Co., Wallace, Ida.
Sept. 25 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—32½ cents per share. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho. **Proceeds** — To six selling stockholders. **Address**—Box 469, Wallace, Idaho.

Skyway Broadcasting Co., Inc., Ashville, N. C.
Sept. 10 (letter of notification) 6,000 shares of common stock. **Price**—$50 per share. **Underwriter**—None. **Proceeds**—For construction and operating capital for a proposed television station.

★ Small Investors Mutual Fund, Inc., N. Y.
Dec. 28 filed 2,000,000 shares of capital stock (par 1¢). **Price**—At market. **Underwriter**—None. **Proceeds**—For investment.

Smith (Alexander), Inc.
Dec. 3 (letter of notification) 6,250 shares of common stock. **Price**—Approximately $16 per share. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Proceeds**—To Alexander S. Cochran, the selling stockholder.

Snoose Mining Co., Hailey, Idaho
July 19 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Underwriter**—E. W. McRoberts & Co., Twin Falls, Ida. **Proceeds**—For development of mine.

Sonic Research Corp., Boston, Mass.
Oct. 8 (letter of notification) 9,000 shares of common stock (no par). **Price**—$20 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—15 Charlon St., Boston, Mass.

★ Southern California Petroleum Corp., Los Angeles, Calif.
Dec. 28 filed 112,000 shares of 6% cumulative convertible preferred stock (par $25). **Price**—At par ($25 per share). **Underwriter**—The First California Co., Inc., San Francisco, Calif. **Proceeds**—To purchase outstanding stock of Culberton & Irwin, Inc., independent oil producer. **Offering**—Expected about Jan. 17.

Southern Oxygen Co., Bladensburg, Md.
Dec. 10 filed $1,400,000 of 6% convertible subordinated debentures due Jan. 1, 1962 (convertible on basis of five shares of common stock for each $100 debenture). **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Proceeds**—To repay notes and for working capital. **Offering** — Expected in January.

★ Southern Utah Power Co., Cedar City, Utah
Dec. 20 (letter of notification) 15,761 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$11.50 per share. **Underwriters**—Smith, Polian & Co., Omaha, Neb.; Glidden, Morris & Co., New York; and C. D. Robbins & Co., Inc., Short Hills, N. J. **Proceeds**—For construction program

Southwest Lumber Mills, Inc., McNary, Ariz.
Dec. 14 (letter of notification) 3,000 shares of 5% cumulative convertible preferred stock, series A. **Price**—At par ($100 per share). **Underwriter**—The Mondet Corp. **Proceeds**—For working capital.

★ Spear & Co., New York
Dec. 31 filed 9,026 shares of $5 cumulative convertible second preferred stock (no par) to be offered to common stockholders. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—To A. M. Kahn and A. J. Kaminsky, two selling stockholders. **Business**—Furniture store chain.

Specialized Products Corp., Birmingham, Ala.
Sept. 26 (letter of notification) 50,000 shares of common stock. **Price**—$1 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—For operating capital and advertising costs. **Office**—2807 Central Ave., Birmingham 9, Ala.

★ Sport Products, Inc., Cincinnati, Ohio
Dec. 20 (letter of notification) 6,000 shares of common stock (par $7). **Price**—$13.50 per share. **Underwriters**—W. D. Gradison & Co. and George Eustis & Co., both of Cincinnati, O. **Proceeds**—To Hugo Goldsmith, the selling stockholder. **Office**—4861 Spring Grove Ave., Cincinnati 32, Ohio.

Tape Production Corp., Tampa, Fla.
Dec. 18 (letter of notification) 28,000 shares of common stock (par $1). **Underwriter**—None. **Proceeds**—For organizational expenses and to purchase machinery. **Office**—c/o Furman O. Ruff, 3817 Bay-to-Bay Boulevard, Tampa, Fla.

Texstar Corp., San Antonio, Tex.
Nov. 27 (letter of notification) 10,000 shares of common stock (no par). **Price**—$10 per share. **Underwriter**—Wood, Struthers & Co., San Antonio, Tex. **Proceeds**—To purchase Aztec Ceramics, Inc., and for working capital. **Office**—2409 Transit Tower, San Antonio 5, Tex.

Tokheim Oil Tank & Pump Co., Ft. Wayne, Ind.
Dec. 18 (letter of notification) 5,600 shares of common stock (no par). **Price**—$16.50 per share. **Underwriters**—Glore, Forgan & Co., Chicago, Ill., and Fulton, Reid & Co., Cleveland, O. **Proceeds**—To Sarah N. Hall and Rosemary N. Hallman, two selling stockholders.

Toklan Royalty Corp., Tulsa, Okla.
Oct. 11 (letter of notification) 25,000 shares of common stock (par 70 cents). **Price**—$4.50 per share. **Underwriter**—None. **Proceeds**—To purchase for investment 450,000 shares of capital stock of Palmer Stendel Oil Co. **Office**—635-644 Kennedy Building, Tulsa, Okla.

Trans Caribbean Air Cargo Lines, Inc.
Dec. 3 (letter of notification) 20,000 shares of class A stock (par 10 cents). **Price**—At market (about $2.37½ per share). **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York. **Proceeds**—To O. Roy Chalk, President, the selling stockholder.

Transgulf Corp., Houston, Tex.
Dec. 3 (letter of notification) 200,000 shares of capital stock (par 10 cents). **Price**—$1.05 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—1 Main Street, Houston, Tex.

Uarco, Inc., Chicago, Ill. (1/8)
Dec. 14 filed 65,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Underwriter**—Kidder, Peabody & Co., New York. **Proceeds** — To repay bank loans and for working capital.

United Fire & Casualty Co., Cedar Rapids, Iowa
Nov. 16 (letter of notification) 2,161 shares of capital stock (par $10) to be offered for subscription by stockholders. **Price**—$26 per share. **Underwriter**—None. **Proceeds**—To restore capital. **Office**—810 First Ave., N. E., Cedar Rapids, Ia.

United Gas Corp. (1/29)
Dec. 20 filed $50,000,000 first mortgage and collateral trust bonds due 1972. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc., and Goldman, Sachs & Co. (jointly). **Proceeds**—To finance in part the 1951-52 construction program of corporation and its subsidiary, United Gas Pipe Line Co. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on Jan. 29.

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United Minerals Corp., Chicago, Ill.
Dec. 14 (letter of notification) 1,100,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Underwriter**—Greenfield & Co., Inc., New York. **Proceeds**—To develop mining properties. **Office**—231 So. La Salle St., Chicago 4, Ill. **Offering**—Now being made.

United Oil Corp., Oklahoma City, Okla.
Dec. 4 (letter of notification) 400,000 shares of common stock. **Price**—At par (10 cents per share). **Underwriter**—None. **Proceeds**—To Forrest Parrott, the selling stockholder. **Office**—3109 Apco Tower, Oklahoma City, Okla.

★ U. S. Gold Corp., Seattle, Wash.
Dec. 19 (letter of notification) 150,000 shares of capital stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For mining operations. **Office**—405 Cedar St., Seattle 1, Wash.

★ U. S. Oil & Gas Corp., Houston, Tex.
Dec. 20 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—612 M & M Bldg., Houston, Texas.

United States Radiator Corp., Detroit, Mich.
Oct. 22 (letter of notification) 5,085 shares of preferred stock (par $50). **Price**—At market (estimated at $44 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—300 Buhl Bldg., Detroit 25, Mich.

Van Norman Co., Springfield, Mass. (1/9)
Nov. 21 filed $2,400,000 of 4¾% convertible sinking fund debentures due Dec. 1, 1969. **Price**—To be supplied by amendment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Proceeds**—For machinery and working capital.

Vertientes-Camaguey Sugar Co. of Cuba (Compania Azucerera Vertientes-Cameguey de Cuba)
Nov. 23 filed 481,307 shares of common stock being offered to common stockholders of record Dec. 18, 1951 at rate of one share for each two shares held, with an oversubscription privilege; rights expire Jan. 18. **Price**—At par ($6.50 per share). **Underwriter**—None. **Proceeds**—To reduce short-term indebtedness and for working capital. Statement effective Dec. 12.

Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co.

Vulcan Extension, Inc., Wallace, Idaho
Dec. 13 (letter of notification) 120,000 shares of capital stock (par 20 cents). **Price**—82 cents per share. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Proceeds**—To Callahan Zinc-Lead Co., the selling stockholder. **Co's Address**—P. O. Box 709, Wallace, Ida.

Warner-Hudnut, Inc.
Dec. 12 filed 293,960 shares of common stock (par $1) being offered in exchange for 146,980 shares of Maltine Co. on a two-for-one basis; offer expires on Jan. 29, subject to a 15 days' extension. **Underwriter**—None. (F. Eberstadt & Co. is financial consultant for Warner-Hudnut, Inc.)

★ West Penn Electric Co. (2/1)
Dec. 28 filed 440,000 shares of common stock (no par) to be offered for subscription by common stockholders on or about Feb. 1 at rate of one share for each eight shares held. The subscription offer will remain open for about 17 days. **Underwriters**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly) **Proceeds**—To be invested in common stocks of three subsidiaries. **Bids**—Expected on or about Jan. 30.

Westinghouse Electric Corp., Pittsburgh, Pa.
Nov. 27 filed 500,000 shares of common stock (par $12.50) to be offered under the company's "restricted stock option plan" to certain officers and executive employees. **Price** — Based on market (about $38.75 per share). **Underwriter** — None. **Proceeds** — For general corporate purposes. Statement effective Dec. 17

★ William Penn Gas Co., Inc. (1/5)
Dec. 28 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Underwriter**—Tellier & Co., New York. **Proceeds**—For drilling expenses and working capital. **Office**—15 Exchange Place, Jersey City 2, N. J.

Prospective Offerings

Allied Electric Products, Inc., Irvington, N. J.
Nov. 9, Nathan Chirelstein, Chairman, said it is probable that the company within a short time will register with the SEC an issue of long-term convertible debentures, part of which will be offered in exchange for any outstanding three-year convertible notes dated Nov. 1, 1951. **Underwriter**—Hill, Thompson & Co., Inc., New York.

Amurex Oil Development Co.
Dec. 6 it was rumored that about 500,000 shares of class A stock may be issued. **Underwriter**—Probably A. G. Becker & Co. Inc., Chicago, Ill.

Arkansas Louisiana Gas Co.
Dec. 6 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

Central Louisiana Electric Co., Inc.
Dec. 3 it was announced that company contemplates sale of $2,980,000 of additional debentures (probably privately) and $1,500,000 additional common stock early in 1952 (probably to stockholders through rights), following the merger into company of Gulf Public Service Co., Inc.

★ Central Maine Power Co.
Dec. 31, W. C. Wyman, President, announced that "additional requirements for 1952, estimated at about $6,000,000, are expected to be obtained by short term bank loans, pending further permanent financing."

Chicago & Western Indiana RR.
June 2 it was reported company expects to issue and sell early in 1952 approximately $65,000,000 of first mortgage bonds due 1981. **Price**—Not less than par. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co. **Proceeds**—To refund $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to redeem $13,747,000 first and refunding mortgage 4¼% bonds, series D, due Sept. 1, 1962. The remainder will go towards property improvements, etc.

Cincinnati Gas & Electric Co.
April 7 it was reported company expects to market early in 1952 between $25,000,000 and $30,000,000 of new bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Proceeds will be used for construction program.

Columbia Gas System, Inc.
Nov. 26 it was announced that it is the present intention of the company to sell securities in 1952 for the purpose of refunding the $20,000,000 of 2½% bank notes due June 15, 1952. The type or aggregate amount of securities which may be sold during 1952 cannot be determined at this time.

Columbus & Southern Ohio Electric Co.
Dec. 21 it was announced company contemplates expenditures of at least an additional $50,000,000 through 1953 to meet the demand for electric service. Further financing is planned.

★ Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction. **Offering**—Expected in March or April.

Cott Beverage Corp., New Haven, Conn.
Aug. 22 it was stated that the company plans issuance and sale of 30,000 shares of preferred stock (par $10) each share to carry a bonus of common stock. **Underwriter** — Ira Haupt & Co., New York. **Proceeds** — For expansion program.

County Gas Co., Atlantic Highlands, N. J.
Nov. 15 it was announced company will pay about $15,000,000 for the gas properties of Jersey Central Power & Light Co. Method and type of securities to be sold to finance this purchase not yet determined.

Dayton Power & Light Co.
Nov. 13 it was reported that company may soon do some additional financing in connection with its construction program. **Underwriters**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc. If common stock, underwriters may include Morgan Stanley & Co. and W. E. Hutton & Co.

Eastern Stainless Steel Corp.
Oct. 25 the stockholders approved a proposal increasing the authorized capital stock to 750,000 shares from 500,000 shares, of which 420,000 shares are outstanding. Additional shares may be issued to stockholders, and the proceeds used for expansion. Traditional underwriter: J. Arthur Warner & Co. Inc., New York.

Foote Bros. Gear & Machine Corp.
Oct. 25 it was reported that company may offer additional common stock early next year. Probable underwriter—A. C. Allyn & Co., Inc., Chicago, Ill.

Foote Mineral Co.
Dec. 24 it was announced company plans to increase authorized common stock from 300,000 shares (259,422 shares outstanding) to 500,000 shares of $2.50 par value. The company states that "there is no present plan of capital financing either of an equity type or loan." The directors, however, "are studying several plant expansion programs which may eventually require more capital." A group headed by Estabrook & Co. underwrote an issue of common stock to stockholders in April, 1951.

Hahn Aviation Products, Inc.
Aug. 24 it was announced company proposes to offer 12,500 additional common stock (par $1), in addition to 17,500 shares recently offered. **Underwriter** — None. **Proceeds** — For engineering, acquisition of machinery and other corporate purposes. **Office**—2636 No. Hutchinson St., Philadelphia 33, Pa.

Idaho Power Co.
Dec. 14 company applied to FPC for authority to borrow from banks up to a total of $15,000,000 during the first seven months of 1952. Of this amount, $10,225,000 would be required for interim financing of new construction during 1952. The balance would be used, if required prior to the time of permanent financing, to renew temporary bank loans outstanding.

Illinois Central RR.
Nov. 16, the directors authorized, pending a favorable market, the issue and sale of up to $25,000,000 of consolidated mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds** — To retire debt maturing in next four years and to replace depleted working capital.

International Resistance Co., Philadelphia, Pa.
Dec. 18 it was announced company plans to issue and sell 250,000 additional shares of common stock (par 10 cents), with registration expected shortly. Stockholders will vote Jan. 9 on increasing authorized common stock from 1,097,225 shares (1,067,163 shares outstanding) to 1,500,000 shares. **Underwriters**—F. Eberstadt & Co., Inc., and Zuckerman, Smith & Co., both of New York. **Proceeds**—For additional working capital and for product development.

Interstate Power Co.
Nov. 28 it was reported company plans to issue and sell about $2,000,000 of first mortgage bonds and $3,000,000 of common stock before April 15, 1952. **Underwriters**—To be decided by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Salomon Bros. & Hutzler. Probable bidders for common stock: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Iowa Southern Utilities Co.
Nov. 14 it was announced company plans to issue and sell in the near future first mortgage bonds and contemplates sale of approximately $5,000,000 additional securities in 1953. Previous bond financing was done privately. **Proceeds** from bond sale, to repay $7,000,000 bank loans.

Jamaica Water Supply Co.
Dec. 3 it was stated that company has applied to New York P. S. Commission for authority to issue and sell $1,200,000 of first mortgage bonds (probably privately) and approximately 13,600 shares of common stock. Approximately $200,000 of stock will be sold the first week in January and an additional $100,000 is slated after March 20. **Traditional Underwriter**—Blyth & Co., Inc.

Kansas City Power & Light Co. (1/22)
Dec. 19 the directors approved a financing program designed to raise about $18,000,000 by issuance and sale early in 1952 of 100,000 shares of $100 par cumulative preferred stock and 317,792 shares of additional common stock, the latter issue to be offered first to common stockholders of record about Jan. 22 at a rate of one share for each six shares held; rights to expire about Feb. 6. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc. **Proceeds**—To reduce bank loans and for new construction. **Registration**—Expected early in January.

Kentucky Utilities Co.
Dec. 10 it was reported company plans to issue and sell in April or May $12,000,000 30-year first mortgage bonds, series D. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Laclede Gas Co.
Nov. 10 it was announced company has requested Mississippi River Fuel Corp. to dispose of its Laclede Gas Co. (248,400 shares, or 8.2% of total 3,039,860 shares outstanding). Latter has appealed to Missouri P. S. Commission and the SEC.

Lehmann (J. M.) Co., Inc., N. J. (1/30)
Bids will be received up to 11 a.m. (EST) on Jan. 30 at the office of Alien Property, 120 Broadway, New York 5, N. Y., for the purchase from the Attorney General of the United States of 1,225 shares of capital stock (par $100) of this company. This constitutes 84.19% of the issued and outstanding capital stock.

★ Marathon Corp.
Dec. 27 it was announced stockholders on Jan. 18 will vote on increasing the authorized common stock from 1,300,000 shares (all outstanding) to 4,000,000 shares, par $6.25 per share. Following proposed issuance of one additional share for each share held (a 100% stock distribution), 400,000 shares will be sold to underwriters if satisfactory underwriting arrangements can be made, according to D. C. Everest, President. Lee Higginson Corp., New York, handled previous underwriting.

Martin (Glenn L.) Co.
Dec. 13 it was announced that Smith, Barney & Co., New York, has been appointed as the company's financial advisers to work out a plan to help finance a backlog of $425,000,000.

Mengel Co.
Aug. 10, Alvan A. Voit, President, stated that the company plans to spend from $15,000,000 to $20,000,000 for expansion, but that plans for financing have not yet been completed. Traditional underwriter—F. S. Moseley & Co.

Merritt-Chapman & Scott Corp.
Oct. 23 it was announced stockholders will vote Jan. 15, 1952 on approving the creation of an authorized issue of 100,000 shares of convertible preferred stock (par $50). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Proceeds**—For expansion program.

Metropolitan Edison Co.
Dec. 11 it was reported company is considering a $16,-000,000 financing program for early next year, which will include issue and sale of 40,000 shares of preferred stock (par $100) and about $8,000,000 of bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp.; Drexel & Co.; The First Boston Corp.; White, Weld & Co. and Equitable Securities Corp. (jointly); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. Probable bidders for preferred—Kidder, Peabody & Co.; Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Drexel & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. **Offering**—Expected at end of February or the middle of March.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Midway Airlines, Inc.
Dec. 15 it was announced Illinois Commerce Commission has authorized issuance and sale of 87,200 shares of common stock (no par). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For general corporate purposes.

Mississippi Valley Gas Co.
Nov. 19, it was announced that subject to approval of SEC and FPC Equitable Securities Corp. has agreed to purchase the natural gas properties of Mississippi Power & Light Co. for approximately $11,000,000, effective about Jan. 1, 1952. It is planned to organize Mississippi Valley Gas Co. to operate these properties and later expects to issue and sell first mortgage bonds and common stock, following final approval by the Commissions.

National Union Radio Corp.
Nov. 29, Kenneth C. Meinken, President, announced company plans to raise more than $5,000,000 of "new money" through sale of stock or from loans. **Proceeds**—For expansion program, involving a new plant to be constructed in Philadelphia. **Underwriter**—Probably Collin, Norton & Co., Toledo, O. **Registration**—Expected in two months.

New England Power Co.
Dec. 12 company applied to SEC for authority to increase authorized bank borrowings from $12,000,000 to $16,-000,000. A major portion of this indebtedness may be financed through issuance of common stock to parent (New England Electric System) and first mortgage bonds early in 1952. **Underwriters** — For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly).

New England Power Co.
Sept. 6 it was reported that company plans to issue and sell about 50,000 shares of preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co., Inc. **Proceeds**—To repay bank loans and for construction program.

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken next year to repay about $43,000,000 short-term bank borrowings.

Northern Natural Gas Co.
Nov. 16 it was reported that permanent financing is not expected to be concluded until 1952 (probable in January or February) to repay $42,000,000 of bank loans and to provide additional funds for company's construction program. This financing may consist of about $32,000,000 of debentures and $18,000,000 of common stock. Latter may be offered to common stockholders, without underwriting. Probable bidders for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

Northern States Power Co. (Minn.)
Oct. 25 it was announced company estimates that approximately $32,500,000 of new money will be required to finance its construction program for 1951 and 1952 through the sale next year of common stock, and senior securities. Probable bidders for stock and bonds: Smith Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly) Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Olsen, Inc., Elyria, O.
Oct. 19 it was reported early registration is planned of about 225,000 shares of common stock. **Underwriter**—McDonald & Co., Cleveland, O. **Proceeds**—To certain selling stockholders. **Business**—Manufactures hot air furnaces. **Offering**—Expected in January.

Owens-Corning Fibreglas Corp.
Dec. 7 it was reported that early registration was expected of between $15,000,000 and $20,000,000 common stock, part of which will be additional financing by company and part for benefit of Corning Glass Works and Owens-Illinois Glass Co., which each own 42% of the outstanding Fibreglas common stock. Probable underwriter: Goldman, Sachs & Co., New York. **Registration**—Expected in January.

Pacific Power & Light Co.
Dec. 28 company applied to Federal Power Commission for authority to issue and sell $12,500,000 of first mortgage bonds to a group of institutional investors. Proceeds would be applied to construction program, including the Yale hydroelectric project on the Lewis River in Washington.

★ **Pennsylvania Power Co. (2/5)**
Dec. 27 company applied to SEC for authority to issue and sell $6,000,000 of first mortgage bonds due 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co. and Blair, Rollins Co., Inc. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); Stroud & Co., Inc. and Drexel & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—From sale of bonds, and from sale to parent, Ohio Edison Co., of 80,000 shares of common stock for $2,400,000, to be used for Pennsylvania's construction program. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 5. **Registration**—Scheduled for Jan. 4.

Public Service Electric & Gas Co.
Dec. 7 it was announced stockholders will on Jan. 17 vote on approving a proposal to increase the amount of authorized preferred stock from 500,000 to 1,000,000 shares and to increase the limit of unsecured indebtedness. There are, however, no present plans for additional financing. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100), thus exhausting the amount of presently authorized preferred stock.

Robertson (H. H.) Co., Pittsburgh, Pa.
Nov. 16 it was announced stockholders will in April, 1952, vote on a proposal to increase the authorized common stock from 250,000 shares (all outstanding) to 1,-000,000 shares in order to make additional stock available for such corporate purposes as acquisition of new properties, to provide additional capital funds or declaration of stock dividends.

Rochester Gas & Electric Corp.
Aug. 1 it was announced that company expects to issue $5,000,000 additional first mortgage bonds and additional debt securities or preferred or common stocks, bank borrowings, or some combination thereof, in connection with its construction program. The method of obtaining such additional cash requirement has not been determined. Previous bond financing was done privately. July 18, it was reported that the company expects to raise money through the sale of some preferred stock late in 1951. **Underwriter** — Probably The First Boston Corp., New York. **Proceeds**—To finance, in part, a $10,-000,000 construction program the company has budgeted for the next two years.

San Diego Gas & Electric Co.
July 19, L. M. Klauber, Chairman, announced that the company plans to sell $10,000,000 of bonds early in 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Proceeds**—For expansion program.

Schering Corp.
Oct 3 it was reported that the sale of the company's entire common stock issue (440,000 shares) was not expected for at least two months. The sale will be made to the highest bidder by the Office of Alien Property Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company formed by United States & International Securities Corp., Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

South Jersey Gas Co. (1/10)
Dec. 21 the United Corp. asked for bids up to 11 a.m. (EST) on Jan. 10 for the purchase from it of its entire interest, amounting to 28.3%, or 154,231.8 shares of $5 par South Jersey common stock. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Allen & Co.

Southern California Edison Co.
Aug 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold last week The nature, amounts and timing of the new financing cannot now be determined, and will depend in part on market conditions existing from time to time and may include temporary bank loans.

Southern Pacific Co. (1/9)
Bids will be received by the company up to noon (EST) on Jan. 9 for the purchase from it of $8,170,000 equipment trust certificates, series HH, to mature in ten equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
Dec. 19 it was reported company is expected to do some equity financing before June 30, 1952. Traditional underwriter: Blair, Rollins & Co.

Southwestern Public Service Co. (2/1)
Dec. 10, H. L. Nichols, Chairman, announced company plans to raise about $4,000,000 through an offering about Feb. 1 of additional stock for subscription by common stockholders at rate of one share for each 13 or 14 shares held. **Underwriter**—Dillon, Read & Co. Inc., New York. **Proceeds**—From sale of stock, together with funds from $10,000,000 bank loans or long-term debt, to be used for 1952 expansion program. It is anticipated that about $16,000,000 will be raised in 1952 from the sale of securities.

Texas Gas Transmission Corp.
Dec. 6 company applied to FPC for permission to construct additional natural gas pipeline facilities at an estimated cost of $33,752,705. It is planned to finance project through sale of first mortgage bonds and other securities and from cash in treasury. **Underwriter**—Bonds may be placed privately. Previous preferred stock financing was handled by Dillon, Read & Co. Inc.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Texas Utilities Co.
Sept. 24 it was reported company may issue and sell around 400,000 additional shares of common stock early in 1952. Probable bidders: The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Thiokol Corp., Trenton, N. J.
Nov. 16 directors authorized an offering to stockholders of about 23,539 shares of capital stock (par $1) on basis of one new share for each 13 shares held (with an oversubscription privilege). **Price**—$9 per share. **Underwriter**—Probably J. G. White & Co., Inc., New York. **Proceeds**—For expansion and working capital.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co. (jointly).

Transcon Lines, Los Angeles, Calif.
Nov. 19 it was reported company may be considering issuance and sale of additional common stock (par $10) which will involve about $200,000. **Underwriter**—Cruttenden & Co., Chicago, Ill.
ceived up to 11:30 a.m. (EST) on Jan. 30.

Upstate Telephone Corp. of New York
Dec. 10 corporation applied to New York P. S. Commission for authority to issue $1,000,000 first mortgage bonds (probably privately) and 4,000 shares of common stock (par $100) to General Telephone Corp., the parent.

Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. The company is said to be considering a stock issue next spring and a bond sale in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

★ **West Penn Power Co.**
Dec. 28 it was announced company plans to offer $12,-000,000 of first mortgage bonds early in 1952, probably in March. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co.; The First Boston Corp. **Proceeds**—For construction program.

Wisconsin Public Service Corp.
Sept. 4 C. E. Kohlepp. President, announced company plans to build a $12,000,000 steam turbine power plant in Marathon County, Wis. Method of permanent financing has not yet been determined. If bonds, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co.

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The Security I Like Best

come one of the largest producers of sulphuric acid as well as other products, which the increased production of ammonia enabled it to do, particularly in the field of pelletized fertilizers. Also it enabled the company to enter the insecticide, fungicide and pesticide fields.

Continuing its expansion policy the company, in 1950 formed the Mathieson Hydrocarbon Chemical Corp. which, in conjunction with Tennessee Gas Transmission Co., enabled them to start producing petroleum products in September, 1951. A merger with Hydrocarbon Chemical, (almost half of which is owned by the Mathieson Chemical) has been lately effected so that Hydrocarbon Chemical Co. will become a subsidiary of Mathieson Chemical.

In October of 1951 the company purchased 134,725 or 25% of the shares of American Potash and Chemical Corp. from Heyden Chemical Corp. for $5,389,000. Other late extension items include the leasing of the Morgantown Ordnance Works in West Virginia for increased ammonia production and further diversification. The company's new electrolytic chlorine and caustic soda plant at Slatville, Va., it is expected, will be in full production shortly. Also, at McIntosh, Alabama, a new electrolytic chlorine and caustic soda plant is being constructed through a wholly-owned subsidiary, Mathieson Alabama Chemical Corp., to supply paper mills, insecticide producers and rayon manufacturers in that part of the country.

The success of these developments is emphasized by the latest nine months earnings ended Sept. 30, 1951. Net sales for this period were $69,911,000 as against $55,169,216 in the 1950 period. Also, net income was $7,757,022 or $2.87 per common share in the 1951 nine month period against $6,426,551 or $2.39 respectively in the 1950 similar period. This improvement was after Federal Income and excess profit taxes for that nine months period of $10,490,000 as against $4,245,000 similarly in the nine months 1950 period. This increase of net income after taxes is an unusual record for a company whose profitable career is comparatively recent, where the excess profit tax bears heavily.

The common stock had a high of 19¼ and a low of 12½ in 1946 with sales of $20½ million. From then, the sales rose to $24½ million, $32 million and $54 million in 1947, 1948 and 1949 respectively, with prices between $12 and $24 in that period. In 1950 the sales were $76 million and the high-low was 31¾-23¾; in 1951 the high-low was 49⅜-29 for nine months with sales at $70 million, 25% over 1950 for a similar period. The per share earnings these years (1946 through 1950) were approximately $1.12, $1.63, $2.86, $2.57 and $3.32, respectively, on the split stock, then 2,661,868 shares. This present rate of growth of the company is evidenced by yearly earnings from 1936 through 1945 of between $0.50 each year to $1.13

It is reported that the company has recently stated that its recent acquisitions and increased production should add 50% to 60% in added sales volume in 1952.

In view of the high price level of common stocks (within 5% of the all-time high of 1929) the selection of an investment in growth equities with a minimum of substantial risk is exceedingly difficult. However, in my judgment, you have it here in the Mathieson Chemical Corp. 4¼% convertible preferred at $104 (a point over the call price) despite the top price of 52 in conversion for the common as against 44½ market price.

BRADBURY K. THURLOW
Partner, Talmage & Co.,
New York City

Selected List of Low-Priced Stocks

At the risk of seeming repetitious, we shall state once more for 1952, as we did in articles published in this department in January, 1950 and April, 1951, that our favorite security is a diversified "bushel basket" portfolio of low-priced speculative stocks. According to our empirical diagnosis, a full scale bull market got underway in the period between Mr. Truman's reelection in 1948 and the fall of 1949. The first broad phase of the advance ran, with the minor interruption of Korea, until early last winter, following which there has been close to a year of "absorption" backing and filling. It is our belief that during this period speculative ardor has been properly cooled and prices of a number of issues sufficiently readjusted to a conservative investment valuation so that the danger of a full-fledged bear market from these levels seems remote. Consequently, a second, and possibly culminating, phase of the bull market, logically following a year of consolidation, may well be about to begin, holding promise of a recurrence of the general optimism and enthusiasm which have characterized such periods in the past.


B. K. Thurlow

This prognosis is, to be sure, a purely speculative one, bearing little resemblance to the theory of conservative "value" investment which would govern the management of most of our accounts; but it could well prove profitable, considering the great weight of speculative sentiment which has held to the opposite view in recent months. If it is acceptable as a premise, then our reasons for choosing low-priced stocks as our favorite securities should be crystal clear: (a) we distrust our ability to pick any one "wonder stock" which will outperform everything from here on. This has been tried too often in the past; (b) for a reasonable amount of money, one can buy a well-diversified list of low-priced stocks and (c) all things being equal, these should move substantially more percentagewise than stocks selling at higher prices. Superficially this may seem illogical, but it has been demonstrated by historical studies that it is easier for a stock to advance from 5 to 20 than from 50 to 100. Obviously in such an advance the holder of the $5 stock could easily make twice as much money as the man who buys the $50 issue. (We assume that a reasonable amount of judgment is expended on the selection of each.)

As an example of this theory in practice, we show below (Table I) the results of putting approximately $1,000 in each of 10 issues recommended by the writer in this column exactly two years ago and another such list (Table II) suggested here last April 19.

Two conclusions are apparent from these tables: (1) The average income from these securities has been sufficient to justify holding them irrespective of the general trend of stock prices. (2) A diversified list of low-priced stocks bought in 1950 has benefited handsomely from the general rise which has since occurred, increasing 85% in value in comparison with a 34% increase in the Dow-Jones Averages. A similar list (Table II) held during a period of backing and filling has still been able to show a 50% better percentage than the "Averages" performance. The fact that some issues have shown a comparatively spectacular advance while others have been distinctly laggard is the great argument here in favor of diversification. It is all well and good to pick the best performer in advance, but most who have tried have generally learned through bitter experience that they make more money with a diversified list. For nothing has proven so fallible as the ability to forecast **when** a given low-priced stock is going to move once speculation in it has ceased to be visible. That most of them do move substantially under these conditions sooner or later is well testified by the record.

Our thesis seems clearly enough stated at this point not to require further elaboration. To avoid the temptation of recommending purchase of stocks "ex post facto" at 2¾ which are now selling at 10, we conclude with another list of low-priced favorites which look attractive right now:

ACF Brill Warrants	1⅞
American Hide & Leather	5¼
Atlantic Coast Fish	2¾
Calumet & Hecla	9⅛
Carr Consol. Biscuit	2⅝
Decca Records	8⅝
Pepsi-Cola	9¾
Shattuck Denn Mining	9¾
Tri-Continental Warrants	3⅞
United Cigar Whelan	3⅞

TABLE I

Recommendations of January 4, 1950

		Cost 1/4/50	Value 12/29/51	Dividends Received in Period
200	Amer. Hide & Leather	$1,000	$1,050	$200.00
250	Calumet & Hecla	969	2.281	375.00
190	Eureka Williams	997	1,140	----
110	Int'l Tel. & Tel.	1,038	1,829	99.00
105	Niles Bement Pond	997	1,890	210.00
120	Pepsi-Cola	990	1,170	----
366	Shattuck Denn	1,006	3,569	467.50
200	Twin Coach	1,000	2,225	*300.00
333	United Cigar Whelan	999	1,290	----
140	Western Air Lines	998	2,118	70.00
	Total	$9,994	$18,562	$1,721.50
	Dow-Jones Industrials	200	268	
	Average Annual Yield	8.6%		

*Value of 25 Divco Corp. received as dividend.

TABLE II

Recommendations of April 19, 1951

		Cost 4/19/51	Value 12/29/51	Dividends Received in Period
300	Atlantic Coast Fish	$975	$825	----
105	Calumet & Hecla	985	958	$52.50
100	Decca Records	1,000	863	52.50
100	Pepsi-Cola	1,012	975	----
166	Shattuck Denn	1,006	1,619	274.50
100	Standard Cap and Seal	975	925	----
725	Tonopah	997	1,269	36.25
366	Tri-Continental War.	1,006	1,418	----
235	United Cigar Whelan	998	911	----
105	Universal Pictures	995	1,299	63.00
	Total	$9,949	$11,062	$478.75
	Dow-Jones Industrials	250	268	

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Observations . . .

with major attention to the public utility and railroad groups; complete treatment of fixed-income securities, including senior securities with speculative features; from both the descriptive and selective approaches; the valuation of common stocks, in all its phases, in both theory and practice; stockholder and management relations, and finally various types of conclusions as guidance for practicing security analysts. Then there is a 74-page appendix in the form of a catch-all for detailed explanations and references on the most varied scale.

Running through all this material is a thematic double-approach, consisting first of the development of various techniques of security analysis; and, second, the attempt to give guidance on the practical application of these techniques (with a final section significantly captioned "Security Analysis in Action").

Basic Principles

In their philosophy regarding investment policy and over-all portfolio management, the authors follow fundamentally the principle that investing risks lie largely in the unsound attitudes and foibles of the investor; of emphasizing value elements in lieu of attempts at timing; of advocating hedging against both deflation and inflation by including U. S. Savings Bonds and tax-free issues as well as common stocks. With these tenets this column fully agrees. At the same time the authors take into somewhat greater account than do we "the market situation" as indicated by historical levels and price-earnings ratios.

In the valuation and selection of specific securities, their basic philosophy rests mainly on concentration on the relevant *quantitative* elements. In making price conclusions, they place considerable emphasis on the earnings—and dividend—multipliers as such, and, based to a great extent on their respective past performance, on individual issues or groups. They capitalize a combination of expected future earnings and dividends; and in their appraisal include a "margin-of-safety" as "the most fundamental quantitative concept in security analysis." Terming the margin-of-safety the touchstone of true investment, which in the case of a common stock should be represented either by the excess of calculated intrinsic value over the price paid, or else by the excess of expected earnings and dividends for a period of years above a normal interest return; they affirm that this concept is "the underlying element in every investment operation . . . through all forms of securities from the highest grade bond down to those common stocks of secondary quality which may be considered present investment opportunities because their price is well below indicated minimum value."

Although placing major emphasis on the *quantitative* factors, the authors discuss the difficult-to-weigh *qualitative* elements, such as the general nature and prospect of the business, the factor of management and inherent stability of an enterprise.

Stockholder-Management Relations

While the authors follow the premise that the qualitative elements confront the analyst (and presumably all other thoughtful investors) with great appraisal difficulties, they devote a 46-page portion to a discussion of the various aspects of the position of stockholders in relation to management. This seems the most interesting and important section of the entire book (and now, at the threshhold of the company meeting-season, most timely). They state that these issues should realistically be boiled down to two main questions:—(1) Is the management capable and worthy of confidence? and (2) Is the management treating the stockholders fairly?—with the additional allied question: Are the interests of the public or outside stockholder being subjected to those of the management, including insiders or controlling stockholders?

In this sphere of the shareholder's corporate status Graham and Dodd conclude that too little is done in calling for unbiased appraisal of management's responsibility for poor as well as good earnings; that compensation abuse is much less vital to the stockholders' pocketbook than are other policies and actions of management; that investors or their advisers should devote attention realistically to the propriety, when necessary, of liquidating a publicly-owned as well as a privately-owned business; that there is likely to be bias toward maintaining high working capital at the expense of adequate dividends; that most managements are well qualified; and that in most cases the board of directors is not sufficiently independent of the executives. For practical methods of appraisal to test management's performance there are offered three available basic figures:—the rate of return on the stockholder's capital; the margin of profit on sales; and the growth of sales and profits. Our authors conclude that cases requiring stockholders' attention narrow down to those where performance has been bad both absolutely and relatively; and that, conversely, when performance has been good on both counts, management is

entitled to have this fact appreciated by the stockholders. The important question of good or bad management would, in the optimistic view of the authors, be advanced beyond its present "hit-or-miss or hearsay stage" if security analysts would work out "simple" performance figures for the various companies, both absolutely and in relation to the industry as a whole.

Dividend Policy

That nettlesome and important question of management's dividend policy is treated with a wealth of sophisticated, wise and constructive commentary, both from the viewpoint of ethics, and also from the impact on stock values and market pricing. Stockholder expectations and management's responsibility; the necessity for clear statement of dividend policy; the attributes of fair dividend policy; adherence to announced policy; and the use of stock dividends, are fully explored.

The authors conclude that the dividend policy is fair if it *either* gives them a reasonable return on the indicated value of their investment, or else disburses a reasonably large proportion of the average earnings. They hold that the directors have an obligation toward the maintenance of satisfactory stock market price for their stockholders' shares, through dividend policies, as well as through other means.

Many other important phases of the world of corporate finance are dealt with, which our space limitations prevent us from citing.

Some Omissions

At the same time, and while this rewritten edition has brought the treatment of most questions up to date, some currently-vital financial elements nevertheless seem to have received inadequate re-trimming. For example, the tremendously-increased income tax, in its impact on the individual investor's dividend "take-home pay," its relation to the favorable capital gains rate; and technique of the excess profits tax; should be realized to be a vital consideration in realistically appraising the value of individual securities, as well as in any observation of today's investment picture.

Likewise, the many and varied implications of the investment company, both on the individual's policies and the financial world in general, would warrant this voluminous tome's more complete and thorough treatment. The skimpiness of the discussion of this dynamic financial phenomenon of the mid-century is particularly unfortunate in the light of the senior author's unique personal equipment in that field.

Also made more uniformly timely could have been the references to suggested collateral literature on the text's important questions. For example, for a contrary view to the thesis that common stock investment should entail anticipation of stock market movements, the authors quite surprisingly confine themselves to a single article written as long ago as 1939 (page 30). Again the author's references to authoritative writings concerning the theory and practice of chart reading contains nothing more up-to-date than 1934.

Any fundamental faults which this project contains seem to this reviewer inescapably to stem from the complexities inherent in the subject that is being treated. Discussion of each of the controversial and deep-rooted questions, such as the relative weighting to be given to the qualitative and quantitative elements of corporate securities, or to elements of "the market" versus those purely concerned with value; the definition and handling of the *special situation;* the impact of inflation; all could by themselves occupy a separate volume, and even then would necessarily leave some unconclusive answers.

And any treatment of so vast a topic, particularly if done thoroughly and undogmatically by super-experts with a lifelong store of knowledge who are conscientious, and devoted to their field of endeavor, must necessarily give an impression of some lack of conciseness.

An Optimum Result

As it is, the project assuredly stands as a monumental contribution at this point in the history of corporate finance.

Written out of rich experience with stimulating sophistication in elegant literary style, it will not only serve as "the" textbook for all students of investment and finance, but also as an indispensable reference bible for constant use by all conscientious individuals concerned with the handling of capital.

It will serve as a highly constructive service for the lasting benefit of the investor, in stimulating him to follow the course of logic away from the foibles of the market place.

And, to the particular satisfaction of the authors and so many of their colleagues in the profession, it will notably help to elevate the scientific and ethical standards of the maturing security analyst profession.

Our Reporter's Report

The year just ended was a period of rather drastic adjustment in the money market and the full force of such changes naturally made itself felt in the investment field.

Debt securities, by force of circumstance, experienced a series of realignments, price and yield-wise, as changes in the basic money picture occurred.

All was not peaches and cream for those in the underwriting business and they had their share of slow deals on occasion as revisions in interest rates caught them with shelves fairly well stocked with new offerings.

Rates for prime commercial loans were fixed at 1¾% when the year began. But these were marked up to 2½% in the late Spring and, it will be recalled, only a few weeks ago had been established at 3%.

Under these conditions it was to be expected that the corporate bond market, along with the Treasury list, would experience an upward adjustment of yields which, of course, means downward slip of prices.

The year ended with Triple A industrial ruling around a yield basis of 2.95% to 3.10% contrasted with 2.60% to 2.65% a year earlier. Gilt-edge utilities likewise were down to a 3.10% to 3.30% yield level from 2.75% to 2.80% at the end of 1950.

Meanwhile Double A paper is currently commanding a 3.25% to 3.35% basis against 2.90% to 2.95% this time a year ago.

Direct Placements

Quite as disturbing to those in the underwriting business was the marked tendency on the part of corporate borrowers to deal directly with lenders in meeting their new capital requirements.

An illustration of this trend was seen in yesterday's announcement by United States Rubber Co., that it is closing negotiations looking toward the placement of $50,000,000 of 30-year, 3¾% bonds, with a group of institutions.

Contending that such operations are intended to circumvent the intent of the Securities Act, bankers noted that such placement accounted for more than half of last year's bond offerings. SEC put such direct placements, around 3.4 billion.

Year-End Inventories

Although shelves are fairly clear of left-overs from the year's new offerings, several groups which were caught with bonds in the down-draught of the last mark-up in money rates still have sizable blocks of recent issues.

Last-minute reports indicated that only about $5,000,000 of the Long Island Light Co.'s recent $25,000,000 offering had been sold. Likewise it was indicated that only some $3,000,000 of Virginia Electric & Power Co.'s recent $20,000,000 issue had been spoken for to date.

And in the case of Central Maine Power Co.'s small issue of new bonds, $7,000,000, it is understood that about 60% of the total remained unsold as the market pushed into the new year.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—But for two vast imponderables, the story of the session of Congress which opens next Tuesday could be foretold today. The session will be short and it will accomplish little in the way of new legislation.

The outstanding feature of the session will be its shortness. The national conventions are held in July. After that the instinct of 435 members of the House and 32 members of the Senate to go out and fight to hold their jobs will not be thwarted. President Truman tried to call them back four years ago into special session to "complete" his program. They met July 26 and adjourned Aug. 7 for keeps.

Short as it must be, this session will be fully strained to pass renewals of expiring existing legislation. For some years the Congress has not even been able to pass routine appropriation bills prior to the opening of the fiscal year beginning July 1. The renewals are several. Most controversial of them is the Defense Production Act, with its weird price and wage control trappings.

While it will not be possible for Congress to consider flying into new hemispheres of social welfare in view of the shortness of time, Mr. Truman, by way of advertising his political wares, will probably call upon Congress to pass the pure "Fair Deal." He will hawk the total package and the several individual unenacted pieces of the program. And, of course, the opposition will as loudly oppose. So the "Fair Deal" will form the center of oratory and many political feints.

If the President would accept an important compromise on something like the FEPC or medical aid, he might get some part of the "Fair Deal" enacted to show as an accomplishment. This, however, is not the President's customary *modus operandi*.

The counsels of the Opposition, as always in a session preceding not merely a national election but a Presidential nominating convention, will be divided, and the followers of one aspirant for the GOP nomination will back-bite the followers of another.

For that reason no clear-cut decision is expected against the growingly unpopular wage and price controls, against the dominance of unions, or in favor of genuine governmental economy. That is also why, for instance, the President might get by an FEPC without "teeth" or some restricted health program—why these things are possibilities.

* * *

The two great imponderables are Korea and NATO.

An appearance of peace in Korea might further lessen the state of tension in the international field whilst arousing to new heights the tensions between the advocates of pushing the defense program and the proponents of slowing it up. On the other hand there may persist for months a totally unconvincing prospect for peace in Korea, in which case the impatience of the American people at rising casualties with indecisive results may manifest itself through Congress. Such an impatience might break out as inexplicably as it has remained quiescent since the "Great Debate" of 1951.

NATO is another great imponderable. It is becoming clear to most observers that NATO is as incapable of reaching its goal as each predecessor was in its turn—Marshall Plan, Bretton Woods, British Loan, United Nations, defeat of the Axis. Always before, as one of the international vaudeville acts began to fade out, the Administration brought a new and bigger one on the stage. NATO is a little big to disappear in a simple fluff of dim lights.

The situation has the makings for the forming of a vigorous new line of opposition leadership, but the circumstances—"don't rock the boat before election"—are against it.

* * *

This correspondent interviewed three successful lawyers and/or accountants who practice steadily before the Bureau of Internal Revenue to obtain their opinions as to the effectiveness of putting Internal Revenue Collectors under the Civil Service, as proposed by the President. They were also asked their opinion of the competency and honesty of the Bureau's employees generally.

Necessarily the trio of practicioneers may not be identified in any way.

What may or may not be news to the general reader is the comparative insignificance of the function of the Internal Revenue Collector, the same type of gentleman who is raising all the fuss. In law and in tradition, the Internal Revenue Collectors are in substance nothing but glorified clerks. Their job is simply to collect the tax liability as shown. Or, if the tax liability is determined, by any of the various forms of adjudication, then the collectors collect the amount thus determined. Their discretion is or has been until recently, all but nil.

The agency which adjudicates all disputes, makes all determinations in controversy, consists of the Internal Revenue agents, the conferees, the Technical Staff—in fact, practically it is the Bureau of Internal Revenue.

Substantively, the Collectors of Internal Revenue are more a part of the Treasury. They are **not** in practical fact, as political appointees, under the supervision of the Commissioner of Internal Revenue. They are men apart, except, of course, for their subordinate employees who are on career assignments.

One of the trio interviewed believed that "some good" would be done by making career rather than political jobs out of the posts of Collectors of Internal Revenue.

Another of the trio figured this way: If Truman gets his wish to make permanent career jobs out of the Collectors, he will probably "freeze in" all the existing staff into life jobs. Most of the existing staff should first be fired, not necessarily for crookedness, but for incompetence, he said.

Furthermore, explained this lawyer, if the President wanted to cut off this cancer of graft he could simply order the Collectors to revert to their historic role of merely collecting taxes, the role they have had for generations, and order them not to meddle in any respect with resolving controversies or trying to fix cases.

Honesty in government, said this outstanding practicioneer, is going to be promoted by example and not by law. In his opinion, putting the Collectors under Civil Service will have little beneficial effect by itself and to the extent that it secures incumbents in their jobs for life, will do harm.

As to the Internal Revenue agents who examine taxpayers' returns, or the conferees to whom one appeals decisions of the agents, or the Technical Staff, to whom a further appeal can be made, the trio ALL expressed confidence in the integrity as well as the basic fairness of the overwhelming proportion of employees.

All agreed that the number who are intentionally capricious and unfair to the taxpayer is exceedingly small, and the number dishonest, 1% or less.

However, it was asserted that since the Roosevelt Administration the standards for both training and selection of Internal Revenue agents have fallen and have not since been raised. In view of the fact that stakes are so high in the tax practice game, the Internal Revenue Bureau has tended to lose its best men to private practice, and to retain the mediocrities.

And there is no law by which mediocrity can be abolished.

A great majority of the people of this town—and it is only their opinions—believe that John Snyder is entirely honest and in fact was unaware of the scandals among the Collectors. They do believe, however, that a sharper, more seasoned administrator would have caught on sooner than Secretary Snyder did as to what was going on.

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CORRECTION: This column suggested last week as a purely logical assumption that some years hence the Rural Electrification Administration would get into the business of financing rural plumbing systems.

Instead it seems that REA is not going to wait until it finishes off the telephone business to pick up this new enterprise. It already is planning privately to get into the rural sewer business. It has contacted at least one outstanding electrical manufacturer on plans for producing a "one package" farm home plumbing system which, except for differences in pipe length, can be sold at low cost to any farm.

These would be sold through the tax free REA cooperatives, and this would probably avoid changing the agency's name to "Rural Sewer Administration." The plumbing systems would be sold on REA's customary long-term loans at subsidized rates of interest.

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For a terse outline of social welfare and its cost to the American people, see "Business Action," a publication of the Chamber of Commerce of the United States, 1615 H Street, N. W., Washington 6, D. C. This outline is shown in the Dec. 21 issue of "Business Action."

The C of C reports that there are some 306 principal Federal and Federal-state, or U. S.-state-local social welfare programs which cost an aggregate of $23 billion, one-third of all money spent by all governments in the U. S.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Two near-sighted guys shouldn't hang their clothes on the same rack!"

Business Man's Bookshelf

Belding-Corticelli Story — 75th anniversary book—Belding-Corticelli Limited, Montreal, Can.

Business Outlook 1952—Conference Board Economic Forum—National Industrial Conference Board, 247 Park Avenue, New York 17, N. Y.—paper 50¢—(lower prices on quantity orders).

Cash Bonuses for World War II Veterans: A State-by-State Analysis as of Oct. 1, 1951—The Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y.—Paper.

Citizen's Stake in Price Control—Robert A. Brady—Littlefield, Adams & Co., 132 Beckwith Avenue, Paterson 3, N. J.—Paper—$1.50.

How Much Can Our Economy Stand?—Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—paper—50¢ (lower prices on quantity orders).

Individual Federal Income Tax Specimen Returns — Completely worked out for filing in 1952—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—Paper—$1.10.

Measures of Business Change—A Baker Library Index—Arthur H. Cole—Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Ill.—Fabrikoid—$7.50.

New Approach to Retirement Income, A—William C. Greenough—Teachers Insurance and Annuity Association of America, 522 Fifth Avenue, New York 36, N. Y.—paper—50¢.

Price Fixing for Foodstuffs—Earl L. Butz—American Enterprise Association, Inc., 4 East 41st Street, New York 17, N. Y.—paper—50¢.

Since Spindletop — The story of Gulf Oil Co.'s first half-century—Gulf Oil Companies, Gulf Building, Pittsburgh, Pa.